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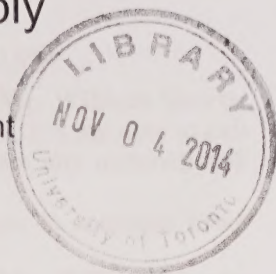
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## Legislative Assembly of Ontario

First Session, 41<sup>st</sup> Parliament



## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 22 October 2014

# Journal des débats (Hansard)

Mercredi 22 octobre 2014

## Standing Committee on Public Accounts

### Organization

Special report, Auditor General:  
Ornge Air Ambulance and  
Related Services

## Comité permanent des comptes publics

### Organisation

Rapport spécial, vérificateur  
Général : Services d'ambulance  
aérienne et services connexes  
d'Ornge

Chair: Ernie Hardeman  
Clerk: William Short

Président : Ernie Hardeman  
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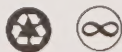
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Wednesday 22 October 2014

Mercredi 22 octobre 2014

*The committee met at 0901 in room 151.*

## ELECTION OF CHAIR

**The Clerk of the Committee (Mr. William Short):**

Good morning, honourable members. It's my duty to call upon you to elect a Chair. Are there any nominations? Ms. MacLeod?

**Ms. Lisa MacLeod:** I would love to nominate Ernie Hardeman, MPP for Oxford.

**The Clerk of the Committee (Mr. William Short):**

Are there any further nominations? Seeing none, I declare the nominations closed and Mr. Hardeman elected Chair of the committee.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That's the easiest election I've gone through for some time. We didn't even have time to hear about the rules of engagement before we had it all finished. Thank you to the members.

## ELECTION OF VICE-CHAIR

**The Chair (Mr. Ernie Hardeman):** My first duty is to conduct a procedure to elect the Vice-Chair. Are there any motions for a Vice-Chair?

**Mr. Percy Hatfield:** I'd like to nominate Ms. MacLeod.

**Ms. Lisa MacLeod:** Accepted.

**The Chair (Mr. Ernie Hardeman):** We have a motion to nominate. Any further nominations for Vice-Chair? If not, we'll close nominations and we'll declare Ms. MacLeod as the Vice-Chair.

## APPOINTMENT OF SUBCOMMITTEE

**The Chair (Mr. Ernie Hardeman):** We now have a motion to appoint a subcommittee. Mr. Rinaldi?

**Mr. Lou Rinaldi:** Yes. Thank you, Chair, and congratulations. I'm sure you'll do a fine job, as usual.

**The Chair (Mr. Ernie Hardeman):** Thank you.

**Mr. Lou Rinaldi:** I move that a subcommittee on committee business be appointed to meet from time to time at the call of the Chair, or at the request of any member thereof, to consider and report to the committee on the business of the committee;

That the presence of all members of the subcommittee is necessary to constitute a meeting;

That the subcommittee be composed of the following members: the Chair as Chair, Mr. Fraser, Ms. MacLeod and Mr. Hatfield; and

That substitution be permitted for the subcommittee.

**The Chair (Mr. Ernie Hardeman):** Thank you very much.

You've heard the motion. Any discussion? If there's no discussion, we'll call the question. All those in favour? Opposed? Carried.

SPECIAL REPORT, AUDITOR GENERAL:  
ORNGE AIR AMBULANCE  
AND RELATED SERVICES

**The Chair (Mr. Ernie Hardeman):** I've just been told by the Clerk that we have a couple of motions that we wish to put forward before we proceed with the rest of the meeting. Mr. Fraser?

**Mr. John Fraser:** I'd like to put forward a motion. I think the Clerk has it.

I move that the documents adopted by the Standing Committee on Public Accounts on Wednesday, April 30, 2014, as the committee's Report on Ornge Air Ambulance and Related Services: Summary Report be re-adopted; that the report be bilingual; and that the Chair present the report to the House once the report has been printed.

**The Chair (Mr. Ernie Hardeman):** Just before we start the debate, we'll have a copy of the motion passed out to everyone.

**Mr. John Fraser:** Okay.

**The Chair (Mr. Ernie Hardeman):** Everyone has a copy of the motion, so we'll open it up to any questions or comments.

**Mr. John Fraser:** I'd just like to say, Mr. Chair, that it's important that we get this report out. I know the report has been written and I realize that it does need to be printed to be tabled in the Legislature—it should be in both official languages, in keeping with what we do with all our reports—and that we get that printed in both languages and tabled as expeditiously as we possibly can. Thank you.

**The Chair (Mr. Ernie Hardeman):** Further discussion? Mr. Hatfield.

**Mr. Percy Hatfield:** Thank you, Chair. I'm new to the committee and new to the process. I'm just wondering: What is the normal time for the printing of such a



report? It has been around for a while, but how long will it take to be printed and presented to the House?

**The Clerk of the Committee (Mr. William Short):** I won't stop all the debate, but just a couple of things: It would take maybe three to four days, depending on the backlog at the printer, once we got everything put together. There would be a couple of other administrative things that we would have to discuss, depending on the outcome of the motion. I could give you an update on all of that once we're finished debating the motion and depending on the outcome of the motion.

**The Chair (Mr. Ernie Hardeman):** I think, from the writing of the motion, obviously the vote that we're discussing here will be the final dealings that this committee has with the report. As the Clerk mentioned, we won't know exactly when it will be presented, but it would not be back here for further discussion or for anything else. This would direct it to be tabled when the translation was finished.

**Mr. Percy Hatfield:** I just didn't know whether it was going to take months or weeks or days; that's all.

**The Chair (Mr. Ernie Hardeman):** Mr. Potts?

**Mr. Arthur Potts:** Thank you, Mr. Chair. I'm delighted to hear Percy say that he's new to this process. I certainly reflect that as well, and I'm trying to get up to speed. I think it's very important that we get this document out. I'm delighted; it's in keeping with what the Premier was saying in the House yesterday: that she wants to leave these decisions up to committees. This is the first opportunity for this committee to meet. We have carriage of this report. I think we're doing the right thing as part of our commitment to be open and accountable.

I think it's also very important that we know that this document has been out in the public already. This is not about getting the information out; it has been out. Unfortunately, it hasn't been out in both official languages, and the version that was released was a version related to the last session of Parliament. This document now has to be updated related to this session of the Parliament, which is obviously very important. From my perspective, it's important that if my name is going on this document, I'd like to see it. This will give me time to see it, and we'll move forward with that in due course.

I'm delighted that the committee, in its first opportunity, is doing exactly what we said we'd do. It would have happened a lot earlier had we not gone through the process that, fortunately, brought me to this House.

**The Chair (Mr. Ernie Hardeman):** Thank you. Ms. MacLeod.

**Ms. Lisa MacLeod:** Thanks very much. I appreciate Mr. Fraser bringing this motion forward. In fact, I think either myself or Mr. Hatfield probably would have brought something forward as well very similar to this.

I think it's key and important that this report is not only made public, as I guess it was during the campaign, but that it receives the full backing of this committee and is released in the Ontario Legislature, on the floor of the assembly.

I want, though, to have a commitment from Mr. Fraser that this will not be edited in any way, shape or form, that it will be the document that was adopted, as you've said, and that we do bring this back to committee at the very earliest to go through it and ensure that the Chair can release it as soon as possible. I just wanted clarification.

**Mr. John Fraser:** I don't know. I think that it would be by the committee. I think we're going to be briefed on this this afternoon. Would that be this afternoon, once we get through—can I ask that question? We'll be briefed on that report?

**The Chair (Mr. Ernie Hardeman):** That will be later this morning after we deal with this motion.

**Mr. John Fraser:** Yes, so that report would not be changed. To my understanding, that would be something that would happen in the committee. It's not a plan on this side of the table to make any changes—

**Ms. Lisa MacLeod:** To rewrite it.

**Mr. John Fraser:** Yes, to rewrite the report, or anything like that. No.

It's really just to get the report out there, to do it in a way that's—I know it has been released publicly. The way that we do things here is, when we do a report, we table it in the Legislature, and we print in both official languages. Let's just get that done.

**Ms. Lisa MacLeod:** So to finish my comment: On behalf of the official opposition, we will support this motion. We would encourage that this be done as quickly as possible, and that it is made available to all members of the Legislative Assembly and the public. I appreciate the spirit in which the motion was delivered today.

**The Chair (Mr. Ernie Hardeman):** Yes. Ms. Lalonde?

**M<sup>me</sup> Marie-France Lalonde:** Juste pour représenter les Franco-Ontariens ici dans la belle province de l'Ontario, je voudrais vous remercier pour votre appui pour cette motion qu'on présente aujourd'hui parce qu'il est très important que ce soit fait de la bonne façon ici en Ontario dans les deux langues officielles. Donc, merci beaucoup.

**The Chair (Mr. Ernie Hardeman):** Mr. Hatfield.

**Mr. Percy Hatfield:** Just if I could clarify, Ms. MacLeod said that the report goes out, comes back to the committee, then goes to the House. Does it indeed come back and we discuss it here or—because we're going to talk about it later today. The original report, once it's printed, it goes to you or to the House?

**The Chair (Mr. Ernie Hardeman):** What happens with the report would have to be decided after this motion is voted on.

**Mr. Percy Hatfield:** Okay.

**The Chair (Mr. Ernie Hardeman):** If this motion is not passed, all that would become irrelevant. It would follow the process that's mentioned in the motion.

**Mr. Percy Hatfield:** Thank you. I'll just very briefly say thank you for doing this. As Ms. MacLeod said, either she or myself would have suggested a similar motion because we think the timing is right for this to happen. You'll have the support from this end of the table as well.



**The Chair (Mr. Ernie Hardeman):** Further comment? If there's no further comment, then I'll call the question.

All those in favour of the motion? All those opposed? I declare the motion carried.

As was just mentioned by the Clerk, obviously the next part of our committee hearing is the briefing from the Clerk, the Auditor General and legislative research about how the process works and so forth. We can deal with this motion as to where it goes from here in that, or, if the committee wishes, we can decide that now. It might be more beneficial for the committee to have those briefings before we deal with how we move forward with this. If that's the committee's wish, that's the direction we would go.

With that, thank you all again, and we go in camera to do that—or it's the committee's choice. Do you want that in camera? Generally, this committee usually does that type of discussion in camera, but it's the committee's will.

**Mr. Lou Rinaldi:** Chair, just for clarification, if the next part of our meeting is to discuss how this committee's going to work, I'm not so sure that should be a closed session. But if we're talking about the closed session to review the report, then that part in camera. But I think for—because I'm new to this committee. I've never sat on this committee before.

**The Chair (Mr. Ernie Hardeman):** Our purpose for putting this forward in a closed session was to have the staff of the committee be able to explain the intricacies of what is before the committee, what is not before the committee. The reason for the in camera session is usually because there are times when staff is going to give part of the presentation as their opinion rather than the opinion of the committee. It's generally considered more appropriate and a better educational process, then, if you do it in camera.

**Mr. Lou Rinaldi:** Yes, sure, let's do that.

**The Chair (Mr. Ernie Hardeman):** Okay, so that's the reason for it. But this committee has to make the decision on whether you want to move to do it in camera or whether you want to do it openly. We're open for direction from the committee.

**Mr. John Fraser:** Let's go in camera. That's what we want.

**The Chair (Mr. Ernie Hardeman):** Okay. We have a motion to go in camera.

All those in favour? Opposed? Carried.

*The committee continued in closed session at 0914 and resumed 1406.*

**The Chair (Mr. Ernie Hardeman):** We call the committee back to order. Pursuant to the motion that was passed earlier this morning, before we went in camera, we have a number of items that we have to deal with—the report. To vote on it we need unanimous consent that the committee agrees to the following—and we'll just put them in the list and we will vote on each one individually.

**Mr. Lou Rinaldi:** Should we come out of closed session?

**The Chair (Mr. Ernie Hardeman):** I just did, yes.

**Mr. Lou Rinaldi:** Okay, you did? Sorry, I didn't hear you.

**The Chair (Mr. Ernie Hardeman):** Yes. When I called the committee to order, it was in open session, and that has something to do with Hansard now sitting and recording it.

The first thing is, as we dealt with it this morning, the motion to deal with this report. The question, the first one, is that the report be printed bilingually. All those in favour? Opposed? The motion is carried.

Number two: That the Chair be authorized to have the final sign-off on the report. As was mentioned by the Clerk, the front pages and a couple of other pages have to be changed. There's nothing else in the report, I think, significantly, so we need authority for the Chair to sign off on it as a final report. All those in favour? Opposed? The motion is carried.

That the report be tabled in the House: All those in favour? Opposed? Carried.

That the Chair be authorized to present and move the report to be adopted: Any debate? All those in favour? Opposed? Carried.

That, pursuant to standing order 32(d), the committee requests a comprehensive response: Debate? All those in favour?

**Mr. Percy Hatfield:** Who is that response from?

**The Chair (Mr. Ernie Hardeman):** From the ministry.

**Mr. Percy Hatfield:** From the ministry.

**The Chair (Mr. Ernie Hardeman):** The responses in all the cases where there is a response requested in the report must be comprehensive. They must deal with all those and respond back in 120 days.

Any further debate? If not, all those in favour? Opposed? The motion is carried.

That concludes that, so the report on Ornge is in the mix to be approved and sent to the Legislature.

**Mr. Lou Rinaldi:** Chair?

**The Chair (Mr. Ernie Hardeman):** Yes.

**Mr. Lou Rinaldi:** Do we need to at least estimate a time frame?

**The Chair (Mr. Ernie Hardeman):** Which?

**Mr. Arthur Potts:** The response is 120 days.

**Mr. Lou Rinaldi:** No, I'm talking about for it to be printed and free to be presented to the House.

**The Chair (Mr. Ernie Hardeman):** My understanding from the Clerk is that it will be late next week.

**Mr. Lou Rinaldi:** Okay, thank you.

**The Chair (Mr. Ernie Hardeman):** Hopefully. That's approximately. It might be an extra week, but the translation is already completed. It just needs to be reprinted.

**Mr. Lou Rinaldi:** Perfect. Thank you.

**The Chair (Mr. Ernie Hardeman):** With that, I think that concludes what we need to do in the public meeting. We have a motion to go back in camera to finish our agenda discussion. All in favour? Opposed, if any? Carried.

*The committee continued in closed session at 1410.*









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#### **Vice-Chair / Vice-Présidente**

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Mr. Han Dong (Trinity–Spadina L)

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Mr. Ernie Hardeman (Oxford PC)

Mr. Percy Hatfield (Windsor–Tecumseh ND)

Ms. Lisa MacLeod (Nepean–Carleton PC)

Ms. Harinder Malhi (Brampton–Springdale L)

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Mr. Arthur Potts (Beaches–East York L)

Mr. Lou Rinaldi (Northumberland–Quinte West L)

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Mrs. Marie-France Lalonde (Ottawa–Orléans L)

#### **Also taking part / Autres participants et participantes**

Ms. Bonnie Lysyk, Auditor General

#### **Clerk / Greffier**

Mr. William Short

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Mr. Ian Morris, research officer,  
Research Services

Ms. Erica Simmons, research officer,  
Research Services



## Legislative Assembly of Ontario

First Session, 41<sup>st</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

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Wednesday 19 November 2014

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2013 Annual Report,  
Auditor General:

Ministry of Community  
and Social Services

Ministry of Citizenship,  
Immigration  
and International Trade

Chair: Ernie Hardeman  
Clerk: William Short

## Comité permanent des comptes publics

Rapport annuel 2013,  
vérificateur général :

Ministère des Services sociaux  
et communautaires

Ministère des Affaires civiles,  
de l'Immigration  
et du Commerce international

Président : Ernie Hardeman  
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## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Wednesday 19 November 2014

Mercredi 19 novembre 2014

*The committee met at 1234 in room 151, following a closed session.*

2013 ANNUAL REPORT,  
AUDITOR GENERAL

Consideration of section 3.10, violence against women.

MINISTRY OF COMMUNITY  
AND SOCIAL SERVICES  
MINISTRY OF CITIZENSHIP,  
IMMIGRATION  
AND INTERNATIONAL TRADE

**The Chair (Mr. Ernie Hardeman):** We call the meeting to order. I thank the deputations for already being ready at the table to do business. Obviously, I was a little worried that we would be losing time because I was late eating, but now, at least, you were moving right along anyway. So we do want to thank you for being here, the Ministry of Community and Social Services and the Ministry of Citizenship, Immigration and International Trade.

Rather than go through the whole introduction, we would just ask you to start the presentation, maybe 20 minutes for the presentation, and then, hopefully, we can start the rotation and have people ask questions. So you can keep that in mind. With that, if you would just introduce yourself for Hansard when you start to speak.

Again, thank you very much for being here, and we'll get on with our meeting.

**Mr. Chisanga Puta-Chekwe:** Thank you very much, Mr. Chair. My name is Chisanga Puta-Chekwe. I am the Deputy Minister of Citizenship, Immigration and International Trade. Before I begin, I would seek your permission to leave shortly after my presentation, because I need to be at cabinet to support my minister on another matter. I don't know if that's acceptable.

**The Chair (Mr. Ernie Hardeman):** Very good. Thank you.

**Mr. Chisanga Puta-Chekwe:** Thank you very much. Chair, I welcome this opportunity to talk to this committee about the important work of the Ontario Women's Directorate in ending violence against women. This is an important issue to all Ontarians.

In recent weeks, violence against women has dominated media and public discourse, but it remains a com-

plex issue that crosses all boundaries, and no province, nor country, has come up with a magic solution to end it once and for all. While progress is being made, turning around entrenched attitudes and behaviour takes time, and there is much more to be done.

In Ontario, the government is focused on working with community partners and other government ministries to end violence against women. I would now like to address the auditor's sole recommendation: that the Ontario Women's Directorate ensure that commitments within action plans have measurable goals and targets, and that progress is regularly assessed and reported.

As you can see from your table, the Ontario Women's Directorate has already taken several steps to measure the effectiveness of our action plans, and more are underway. For example, the Ontario Women's Directorate has implemented province-wide training for 37,000 front-line workers to support survivors of domestic violence. More than nine in 10 of the people receiving training report that they are better able to do their jobs as a result of this intervention.

The Ontario Women's Directorate has also supported the Neighbours, Friends and Families public education campaign in more than 200 Ontario communities. This campaign has been cited by the coroner's Domestic Violence Death Review Committee as an important initiative for the prevention of domestic violence.

I would also highlight the work that is underway with Statistics Canada to address the limitations of its general social survey. This is the main statistical source for measuring reductions in violence against women, and we are working hard to get better data from it. The Ontario Women's Directorate is currently exploring whether to commission an even larger sample in the next general social survey that would enable analysis of impacts within different regions of the province and a wider range of population groups. This would give us a much more informative baseline for analysis of the effectiveness of our programs.

We continue to focus on those areas of society where violence against women seems to be in greater prevalence. We know, for example, that aboriginal women and girls are particularly at risk. Ontario is investing \$2 million over the next two years to support the work of the Joint Working Group on Violence Against Aboriginal Women, a broad coalition of five aboriginal organizations and 10 government ministries working together to end violence against aboriginal women and girls. As



well, the Premier and aboriginal organizations are calling on the federal government to establish a national public inquiry into missing and murdered aboriginal women.

Activity is also underway to prevent sexual violence in another high-risk group—university- and college-aged women—and to measure its prevalence. We know that these young women are particularly vulnerable to sexual violence. Many are living away from home for the first time and facing entirely new social circumstances.

The Ontario Women's Directorate has created a resource guide to support Ontario's colleges and universities in their ongoing efforts to prevent sexual violence. Many of them are undertaking campaigns themselves. The University of Ottawa, for example, is conducting a campus climate survey of 5,000 students that will be invaluable in measuring attitudes and experiences of harassment and violence on campus, and changes over time.

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The Ontario Women's Directorate has also asked involved ministries to report on their progress in meeting their commitments and targets. As you can see again from the table provided, they are doing exactly that.

I believe all of these initiatives will contribute to the success of our programs to end violence against women, and I thank the committee once again for its time today. Thank you, Mr. Chair.

**Mr. Bohodar Rubashewsky:** I'll speak next. Good afternoon. I'm Bohodar Rubashewsky. I'm the interim Deputy Minister of Community and Social Services. I'm pleased to discuss the Auditor General's recommendations on our ministry's violence against women services.

With me from MCSS are Karen Chan, assistant deputy minister, community and developmental services, and Erin Hannah, acting assistant deputy minister of social policy development.

I want to start by thanking the Auditor General and her staff. The ministry welcomes her recommendations, and I'm confident that our response will help to strengthen the delivery, oversight and overall effectiveness of our violence against women services.

These programs are critical to the safety and security of tens of thousands of women and their children every year. They reflect an integrated system of community services designed to meet the diverse needs of women and children.

A key component of this system is the 96 emergency shelters we fund, which provide just over 2,000 beds for women in crisis. These shelters supported approximately 10,700 women and 7,400 children in 2013-14.

In addition to providing a place to live, shelters provide crisis phone counselling and safety planning, as well as information on rights, options and available services to help women manage an immediate crisis.

Last year, we also funded 177 counselling agencies that helped 45,300 women and 4,400 children; 64 agencies to deliver the Child Witness Program that provided support to 2,700 women and 4,900 children; and 127 community agencies to deliver the Transitional and

Housing Support Program that helped 20,300 women connect with housing, counselling, job training and other supports.

Our provincial crisis lines are often the first step toward a new life for many women who are suffering abuse. These include the Assaulted Women's Helpline, which serves people in many languages as well as English; Fem'aide, the province-wide French-language line; and Talk4Healing, Ontario's aboriginal women's help line, an essential lifeline for aboriginal women in northern and remote communities. Last year, these lines received 53,900 calls from victims of domestic violence who were in urgent need of information and referral to appropriate services through provincial crisis lines, and about 2,450 calls came into Talk4Healing.

We also support 48 domestic violence community co-ordinating committees across the province, to improve the community response to domestic violence and women abuse. Committee members include abuse survivors, along with representatives from the VAW, justice, health and education sectors. In total, in 2013-14, the ministry invested \$145 million into these services, all aimed at helping support women who are victims of violence, and their children.

The 2014 budget increases this investment with \$14.5 million in new funding over three years to support the agencies and their front-line workers who are so critical in a woman's journey to safety.

I'd now like to turn more specifically to the Auditor General's recommendations. The ministry recognizes the importance of balancing accountability with the need for women's shelters to be reasonably autonomous in carrying out their day-to-day responsibilities and responding to the distinct needs of their communities.

I appreciate the Auditor General's recommendation to establish quality standards for shelter services and to regularly monitor agency performance against standards. It's important for VAW shelters to provide consistent services for women and children across the province.

The ministry is working on developing a quality standards manual for shelters, which will include standards on Canadian police information centre checks. More importantly, we're developing instructions for regional office staff on regularly monitoring women's shelters to assess compliance with quality standards.

The Auditor General identified that the data gathered by the ministry should allow for effective analysis of service costs and the identification of service gaps. The Auditor General also recommended that the ministry should do periodic spot-checks to ensure the accuracy of agency-reported data.

The ministry's transfer payment budget package includes all the tools and information required for agency budget submissions, contracting and reporting. We update this package annually. In the past three years, there have been numerous changes to streamline processes, increase ease of use and build in functions that improve data integrity.

Further to the 2013 audit, the ministry made significant enhancements to the transfer payment budget



package to strengthen accountability. We now have standardized expenditure categories and additional information on staffing costs that allow us to review and analyze service costs. We're planning more changes to further enhance data accuracy for the 2015-16 budget package.

We've also launched a business intelligence project to strengthen data integrity and analytical capacity, allowing for more effective operational oversight in decision-making. Full implementation is planned for 2015-16.

The Auditor General recommended that the ministry develop ways to increase the response rate for the VAW client satisfaction survey, and to examine the results by the service provided, whether that is emergency shelter, counselling or transitional housing and support.

In May 2014, the ministry revised and implemented a new survey, in consultation with the VAW sector, so that we can understand women's level of satisfaction with the services they received. VAW agencies can now offer incentives to clients for completing the surveys. We hope that this will encourage more people to complete the survey and provide better results. We will monitor whether this promotes an increase in the survey response rate and continue to look at other options to improve the response rate while respecting personal choice.

The Auditor General also recommended that the ministry implement a plan to address safety and security issues identified in our 2009 building condition assessment. Over the past five years, we've provided more than \$32 million to VAW agencies in capital funding, including for safety and security projects. This year, we've committed a further \$800,000.

We acknowledge that we need to understand the service pressures of VAW agencies, and whether women and children are receiving the services they need. The Auditor General recommended that agencies be required to maintain wait-lists for their services. Additionally, she recommended that the ministry determine whether women who requested VAW services and were referred elsewhere actually received the needed service.

I want to be clear that women sometimes are referred to more appropriate services, such as mental health and addiction services, hospitals, aboriginal-specific services, legal aid or child protection. Referrals do not, per se, mean a lack of capacity within a specific agency.

We have been collecting data on the number of women waiting for VAW services since 2013. The revised VAW client satisfaction survey is a starting point as it now collects information about wait times and clients' level of satisfaction with the amount of time they waited to receive service.

In regards to the Auditor General's recommendations about analyzing agency costs and variances across service providers, we expect that our business intelligence project will greatly enhance our ability to conduct comparative analyses of funding and service costs. We're customizing tools and processes for each program area, including our VAW programs, to allow for more effective review and analysis of financial and service

data information. We expect this initiative will allow us to more readily identify and follow up on variances.

We appreciate the Auditor General's recommendations related to improving service planning and coordination of supports for abused women and their children. This is a key goal of our VAW programs.

The services we fund provide a continuity of community support. At the local level, VAW agencies have protocols and procedures for how they work together to support the needs of women and children. MCSS provides support for various coordination mechanisms, including the Domestic Violence Community Coordinating Committees, as well as children's aid society/VAW collaboration committees and service system planning between regional offices and VAW agencies. The ministry recognizes that effective information sharing can help improve services, and so we're working to find ways to better report on the outcomes of these committees.

The VAW service system is also made up of services funded by other ministries such as the Ontario Women's Directorate and the Ministry of the Attorney General. MCSS regularly engages in discussions with partner ministries on the government-wide response to preventing violence against women.

The Auditor General recommended that the ministry establish performance measures, targets and benchmarks to determine how well we're doing in enhancing service coordination. The ministry's focus for 2015 is on better using our VAW transfer payment data. Once this is done, we'll review our VAW program objectives, performance measures, and possible targets and benchmarks.

#### 1250

The Auditor General further recommended the ministry compare pertinent results for Ontario from Statistics Canada's biannual transition home survey and compare these to past performance and to results in other jurisdictions. Work is under way to review data elements and performance measures in our VAW programs and make the changes we need to ensure that the data being collected is of value and applicable performance measures are in place. We're currently gathering more detailed data from the transition home survey and other relevant sources to improve our understanding of VAW services in Ontario as compared to other jurisdictions.

Once again, I'd like to acknowledge the important work of the Auditor General and the role she plays in ensuring that the government is accountable and that public funds are used as effectively as possible. We've already taken steps in response to the recommendations, and we will continue to work to improve and strengthen our VAW programs to ensure the best possible supports for women and their children.

We'll now be pleased to provide members of the committee with any additional information you need and respond to your questions.

**The Chair (Mr. Ernie Hardeman):** Thank you very much for your presentation. We will now start with the official opposition, and we'll rotate in 20-minute intervals for questions. Ms. Munro.



**Mrs. Julia Munro:** Thank you, Mr. Chair. I have one question: Is it possible to use a portion of the 20 minutes and pick it up on the next round?

**The Chair (Mr. Ernie Hardeman):** That's going to be very difficult.

**Mrs. Julia Munro:** Okay. Well, I just wanted to clarify.

**The Chair (Mr. Ernie Hardeman):** It's hard to keep track because we're going to keep going around, so I don't know when you would make up the time.

**Mrs. Julia Munro:** Okay. All right.

Thank you very much for coming. I certainly appreciate the light you have been able to shed on some of the issues that, quite frankly, for an MPP, are really important, because you're talking about the most vulnerable, I would argue, group in our communities. One of the things that we hear is certainly the frustrations that people have, the kind of opportunities that seem to be there for somebody else but not for them. Do they fit into a category? Are they with or without children? There are just a number of things that serve, to the individual who needs that help, obviously, to be a bit confusing.

I wanted to focus my questions on some of the issues that you alluded to a moment ago, but before I do, I want to just get a sense of the macro picture, if you like. You are charged with the creation of program policies and procedures. You have approximately 200 not-for-profits. Now, that seems to me to be a very tall order, to deal with 200 not-for-profits, and you're responsible for program policies and procedures. My concern is the question around equity, the question around measures, because we're not talking about how many widgets get produced on a certain day; we're talking about how effective you are in changing the course of life for both women and children. So it seems to me that in that kind of a challenge that you have, those qualitative objectives are the things that need to be measured.

I think that when you talk to people that are in one of these agencies or in a like agency, they are conscious of administrative time—you know, a "When do I get my front-line money?" kind of thing. I think that's a fair question to ask. Certainly, you have referenced some of the measures that you've taken, but I think historically, the problem has centred around being fiscally accountable. We all agree with that as kind of a base. But your area is a human services area, and human services areas don't get solved just on the basis of money. So one of the things that I was looking for in this presentation was the question of: Okay, so you've got program policies and procedures in place, but where are the details? Where is the story that I can go home with that says, "This is a measurable outcome. This is what makes this organization stand above everybody else"?

In today's world, when we're talking about deliverables and we're talking about outcomes—I mean, we all know the lingo—the question of how you make measurable standards in the human services, to me, is the challenge. Obviously, the auditor's report indicates that there has instead been a reaction to, "Well, we've done

this, and we have so many groups that do that." You make reference to the question of surveys. Well, in our document, we know that 4% of the people—that's not a good enough measure; 4% isn't good enough. Do they understand what has been asked of them? Do they understand that this isn't an invasion of privacy? This is quality control. Are we getting the value for the money that we spent?

So my questions, then, really focus on the issue around the performance measures. When you have 200 not-for-profits—and you have a complication here that I'm going to ask you to uncomplicate for me, and that is the role of the women's directorate coming out of a different ministry than the MCSS, where most of these functions would normally be thought of as the appropriate place for them. I think that there would be people that would have trouble figuring that one out.

The other thing that they would have trouble with is, for instance, if a woman goes to a shelter and it's full, we, as I understand it, don't have any idea where she goes or what happens after that. What happens if she goes to one and then, for whatever reason, moves on? Again, being able to identify the percentage of occupation of the shelter, whether there is an adequate alternative—these are the kinds of things. The service delivery, frankly, obligates the funder to be able to demonstrate that there is value for money, that you have measurable outcomes and you're able to see—for instance, you have identified the \$60 million that went for other supportive services, but do we know how well they're doing? We can keep track of people coming to a shelter and staying or not staying, but if someone has an hour of counselling, how well are we able to establish that that was an hour well spent for that person?

**The Chair (Mr. Ernie Hardeman):** Ms. Munro, you must have misunderstood me. You get the 20 minutes—we can't split that—but you can split your questions up so we get an opportunity to get answers back.

**Mrs. Julia Munro:** So I don't have to do them all at once?

**The Chair (Mr. Ernie Hardeman):** I'm sorry to interrupt in that way, but I know you have put a number of questions, and it would be quite helpful in our deliberations to get answers to those as we move forward in the study.

**Mrs. Julia Munro:** So I should pause for a moment; is that what you're saying? Okay. I'll pause.

**Mr. Bohodar Rubashewsky:** Ms. Munro, thank you. I'll try to, with my colleagues from MCSS and OWD, kind of sequentially answer some of the questions.

**1300**

First of all, your comment about measurable service and value for money: In any kind of transfer payment governance process, quantitative measurement obviously is very important. We do undertake not just a value-for-money measurement—although those measures are there; we have to ensure that, on an objective basis, there is consistency of funding but also that return on investment, the services provided for the investment made, is meas-



ured, because that, to a great extent, measures quality as well. How effective is that service with the investment made? But we also measure a variety of other, call it, outputs. We have 21 of what we call service data elements that we measure. They range from individuals served to the individuals who receive service in a shelter having safety plans, because that is an essential expectation that we have of our VAW agencies: that clients who are served by them also have a service plan established and worked out with them to ensure that there is a plan going forward. We have different measures that relate—you're right, it's easier to measure in shelters because beds are being occupied, but we also have measures for counselling: the number of interactions, the number of group sessions and the like.

Qualitative measurement comes in two ways. One is the client satisfaction survey. I can't speak to the design of the survey previously, but certainly the current survey—last year, I believe, in 2013, we had 4,200 surveys completed when the Auditor General undertook the audit. I think it was 3,200. So that is a good sign. I can't speak to the participation rate and how that was calculated, but we make it clear, first of all, that the survey is entirely confidential. We have expanded the questions to really try to get a handle on how women were referred to the agency; who referred them to the agency, whether it was a doctor, a hospital, the justice system; across the range of services that they received from the agency, be it shelter or counselling, how satisfied they were—we have a range that we ask them to speak to; whether they felt that their concerns were understood; and whether they felt, coming out of this experience, that they were safer.

So qualitative measurement from the client's perspective occurs, but also, it is done by the staff that we have in the regions who interact with the agencies. They rely to a large extent on quantitative data, the data that they receive from quantitative sources, but they also spend a lot of time actually interacting with the agencies—the executive directors, their program directors—assessing, on a qualitative basis, based on their experience and looking at the agencies that they have responsibility for in a region or a community, what their views on that service are and interacting with the agencies to try to improve those services.

I don't know, Karen, if you have anything to add to these and other questions.

**Ms. Karen Chan:** Yes, maybe I can pick up some of the other questions. I'll try. I've got a few notes here. It's Karen Chan.

You talked about the fact that it's really hard for individuals to figure out where to go and what to do. I think it's important to note that while we're focusing on the shelters, and this audit focused on the shelters, in fact, many, many people who are victims of abuse come forward for some of the other kinds of services. Some people don't come to shelters, so it's really important to think about the counselling services that were provided over the years, the supports for transitional housing, the supports for children as they recover from witnessing

abuse, and our crisis lines that are very, very, active. It's important to note that women who've been abused cross all walks of life. They cross all cultures. They cross all income brackets. Different people have different needs depending on their life situation. I know the women's directorate can probably speak a little bit more to that when I'm done, around how we actually work together to try to link the services, and how important that is.

That's why the range of services that we've been able to develop are absolutely key to actually supporting women in our communities. And it's not just those services. What the counselling services and/or the shelter try to do is to then provide the additional services that individuals and families may need beyond that. They may need supports for employment programs. They may need supports for housing. They may need child care. They may need social assistance. They may need legal aid, or supports to get their child into—maybe they need to change schools. So all of those kinds of needs, people think about those, and the counsellors, the crisis lines or the shelters are very, very conscious of that as they move forward, looking at the individual and the family and all of their needs. So that's, I think, important.

You talked about that it's hard to measure those kinds of things, and it is. It really is, because every individual is different. I thought that was an important point to bring together, in that we're finding that more and more of our services are to the broader range of families and individuals, not just those folks who actually come into our shelters.

I don't know whether the folks from OWD wanted to add a little bit more about that.

**Ms. Juanita Dobson:** Sure. Hello, I'm Juanita Dobson. I'm the assistant deputy minister for the Ontario Women's Directorate and the Ontario Seniors' Secretariat. I have Susan Seaby here with me, who is the executive director of the Ontario Women's Directorate.

I would echo what's been said already in terms of the work being done broadly. I think, for the Ontario Women's Directorate, looking at this as complex issues involving a number of ministries, and our role, primarily around being the women's directorate and focusing on women's issues with our minister, certainly providing coordination across ministries, that sort of activity—a whole-of-government approach, because of the complexity and the number of services that need to be linked together, but also taking a strong role in public education and awareness, because we do believe that certainly starting with prevention is very important.

We are talking a lot about the service, but we want to back up a little on prevention. We know that public education and information need to be repeated over the long term. We have a number of relationships with community organizations around providing public education campaigns that are delivered at a local level, but in a number of domains, some focusing on men and boys, some focusing on young women. We talked a little bit—our deputy did—about colleges and universities as a real focus for us. That is about the prevention aspect, and



helping to equip young women, girls, boys and men around this issue. So in terms of that relationship and the work that we do, we're quite engaged.

We do have a number of evaluations that we've been doing on those public education campaigns. We can talk about those now or later, but there's a number of surveys we've been doing that have shown several positive impacts in terms of those campaigns. And the work that we've been doing, primarily with the aboriginal community—there has been a real focus, obviously, in the last little while in that area, ensuring that we've got good information, and good campaigns, supports and partnerships.

I don't know, Susan, if you wanted to add anything to that.

**The Chair (Mr. Ernie Hardeman):** Well, thank you—

**Ms. Juanita Dobson:** We're good? Okay.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes the first 20 minutes.

Ms. Campbell?

**Ms. Sarah Campbell:** Thank you. I wanted to start by thanking the Auditor General for her excellent report that sought to determine what the government has in place to meet the needs of abused women and their children, and which also reports on the effectiveness of services and initiatives the government has implemented to address this very important issue.

1310

In her report, the Auditor General identified a number of gaps, shortcomings and, at times, a complete failure to clearly indicate the status of commitments. Just a brief overview: Some of the themes that we saw in this report, as we're all aware, are that the government doesn't seem to know how effective its programs are; the government doesn't seem to know how badly these programs are needed, what the quality of the services provided by the funding agencies is or how to improve its programs; and the government also doesn't know how many of the 506 security and safety issues the shelters have ever addressed or whether they've been completed. These are very serious issues that have been raised. I think, overall, the report highlighted that, as the Auditor General had said this morning, neither the action plans nor their commitments within the action plans had measurable outcomes.

I'd like to focus on a few key recommendations in the short time that I have with the ministry officials today. I certainly appreciate you coming to this committee and providing MPPs with an opportunity to weigh in on this very important issue.

I wanted to start by talking about meeting demand for services in that particular area of the report. The Auditor General mentions that the MCSS is lacking information to determine unmet demand and to allocate resources. It's unknown how many women are turned away or if they are ultimately helped, and the auditor recommends maintaining wait-list information for services, and having better inter-agency networks to communicate need and to

determine whether or not women are ultimately helped elsewhere.

This is a problem that we've certainly seen across the north, especially in the northwest. It's often the case that shelters are either over capacity, or it's my understanding that these shelters are unable to accommodate some clients, given the cost of receiving those clients. For instance, in my riding of Kenora–Rainy River, it's not uncommon for at least three of our main shelters in Red Lake, Sioux Lookout, and Dryden to face significant costs for bringing women down from Far North communities. A plane ticket, obviously, due to the nature of the circumstances, can't be purchased several days in advance. We're bringing these women down at a cost of several hundred dollars one way. I know that that's been a problem, as I said, not just because of overcapacity, but because of—I mean, ultimately, we're dealing with very small pots of money and small budgets and how much that's going to add to their bottom line. My understanding is, there is a bit of shuffling that happens between some of these shelters in order to kind of preserve that bottom line and make sure that they can make it through to the end of the year and keep their doors open.

My question to the ministry is: What statistics are being kept in the north that would account for some of the home communities of clients? Are you tracking where these clients are coming from, which shelters they're coming from, and what impact that would have on the bottom line of these shelters?

**Mr. Bohodar Rubashewsky:** I'll ask Karen Chan to provide some details on this.

**Ms. Karen Chan:** Your questions are good ones, for sure. Certainly as it relates to the north, there are challenging circumstances as it relates to transportation.

I think you'll know about the new crisis line that's been established in the north as a pilot. To all accounts, it's doing absolutely excellent, excellent work. I think it's meeting some of the outcomes and will still grow and develop. That is a place, from what I understand, that we often find people, particularly in the remote areas, where they can actually use the phone and call. That's where they're able to actually set up transportation and bring people in.

I do know for a fact that we have, both through our Aboriginal Healing and Wellness Strategy—because through the Aboriginal Healing and Wellness Strategy, there are some additional shelters that are funded that are not noted in this auditor's report. It's just a different funding stream, but coordinated and absolutely essential and important, in that in many cases they will provide specifically aboriginal support.

We have provided, through both the strategy and through the VAW funding, additional dollars for travel when it is needed, when people do need to move.

It's always that sensitive piece, because in many cases people would like to stay in their own communities and get the services they need. Oftentimes, the crisis line or the counsellors will work with the women around other kinds of alternatives, because they often don't want to get



on the plane and move. So there is funding, for sure, to help with that, and we do provide additional funding, but oftentimes it's trying to look at what the alternatives are. Is there a friend? Is there a neighbour? Is there a safe place that they can go? So the crisis line has really, really helped in that particular area.

Of course we have, in addition, other shelters in the north. As you pointed out, they do work together. They do coordinate services. We haven't talked about this, and we could talk further about it if you wanted, but there are coordinating committees across the province that have been brought together, and they do exactly what you just said: They actually come together to look at, are there additional needs that we need to serve? How can we collaborate more? How do we collaborate with the broader agencies?

Those are some of the kinds of things that we've been working with in the north as it relates to the northern population, and as it relates to supporting some of the more remote communities in the north. I don't know whether—

**Ms. Sarah Campbell:** I certainly appreciate that. I just wonder, is there a mechanism, is the ministry tracking some of those statistics—

**Ms. Karen Chan:** Absolutely.

**Ms. Sarah Campbell:** —of where these people come from, how many are coming down—

**Ms. Karen Chan:** Absolutely.

**Ms. Sarah Campbell:** —okay—and which shelters? So is there a correlation, then, between the number of clients that are coming from these far northern places and what kind of dollars are flowing to these shelters?

**Ms. Karen Chan:** You're absolutely right, and there is additional funding provided to those shelters where we know they have to provide those kinds of supports. We think we can do a better job on some of the analytics. Absolutely we think we can.

**Mr. Bohodar Rubashewsky:** If I could add, in that regard, that is one of the areas of development that we've undertaken really over the last year. A lot of our funding—I mean, there are known variations that we took into account historically to fund agencies, but we're taking a deeper approach to understanding what those cost-drivers are. When you look at a cost for a bed, it has to do potentially with transportation costs. It could be staffing costs based on whether it's a particular location or a particular region. So we are asking—balancing the necessity for information with the fact that we don't want information-gathering to be the main line of business for agencies—and getting more information on kind of common elements of information where there may be variation across the province and trying to collect that data and also analyze it in a way that's more effective than has been the case before, and to even display it for our own program development people, being able to really almost look at, and not just use computerized technology, to understand where those variations are.

**Ms. Sarah Campbell:** I just want to say, I agree with you: We don't want the primary purpose of our shelters to be focused on information-gathering. But this informa-

tion that we do gather can help us improve front-line services, and especially as we distribute those services across the province. I suspect that in the north, and especially in the northwest, the costs of delivering some of these services that are very important could be a little higher in maybe other parts of the province. I've just heard from a number of shelters that that's something that they've struggled with.

The other thing I want to talk about is funding and value for money. In the Auditor General's report, she noted that funding that was previously allotted to shelters has been carried over, and it's been basically unquestioned. It becomes kind of like an annualized base funding. There hasn't really been a real, critical analysis of whether that funding was warranted—maybe it might be under, maybe it might be over, depending. She noted a very large spread between some 10-bed shelters receiving \$334,000 a year while others received \$624,000.

**1320**

Again, when I put my northern hat on, as this makes sense to me and what I'm seeing in my communities, I'm just wondering what information is being collected in the north in particular to determine how shelters receive their base funding.

**Ms. Karen Chan:** It is true, there is quite a variation in funding. That relates to a few things. I'll tell you what it relates to, and then I'll tell you what it is we're trying to do to actually sort that out so that we understand the full picture.

I think folks know that women's shelters have a history of—when they first started, they were really grassroots, mostly funded through either donations or United Way or those kinds of things. They then moved to being government-funded and being cost-shared. In many, many circumstances, almost exclusively, every shelter has a separate funding stream, and that funding stream comes from donations that people make. It comes from the United Way, it comes from other community agencies, in some cases Kiwanis—all the service clubs that often will fundraise for this, which is really important. It's important because that helps communities take ownership, and ownership of this issue is so important to us actually trying to solve it. It's not just the people in the shelter, and it's not just something that happened to somebody else. It's a community piece that we have to start to own. So that funding piece, that other element, is key to agencies moving forward, but also, I would say, community ownership.

But that complicates things. It complicates the funding, because some communities are better positioned to both have—some have stronger United Ways. Some have stronger service clubs. Some have a donor—I was talking to one shelter that has a donor whose family used the service a long time ago and feels so obligated that they provide very huge donations, quite huge donations, to that community—or a family that has experienced something and recovered. There are a lot of different things at play, so that makes it difficult. That's why it's different.

What are we doing about that? We're starting now to collect data. We've started collecting our data related to



what we fund—here's what we fund and here's what we're getting for what we fund—so that we can actually keep account of that. The deputy has spoken to all the categories that we keep track of on that. We're also starting to collect information on what we don't fund and what's available and those costs. Where, sometimes, some shelters get into difficulty is that maybe some of that other funding starts to get into jeopardy. If we can understand that more, then we can project and maybe support more in the future.

We're trying to collect both sets of data, but they are very diverse—and, I would hazard to guess, will continue to be quite diverse—and, while difficult to understand from an accounting perspective, important from a community ownership perspective.

**Mr. Bohodar Rubashewsky:** If I could add that we're actually putting an emphasis on northern region agencies over the next couple of years. First of all, we want to ensure that the data that we're receiving from agencies is reliable, accurate and consistent, but we're also trying to gain an understanding of, really, what is that sum total of information that we need to look at and to consider. We need to do this across all of community and social service programs, and in the VAW agency world, across all agencies in the province, but we're starting with the northern region because there are unique characteristics. The agencies themselves, because of their size and scale, may not have the capacity to collect data the way that other agencies may or may not, and we feel that the northern region is a good starting point to really determine what our best practices should be across the province. That is going to be occurring, I think, over the next two years. We'll use that information and those learnings to design a better approach across the province.

**Ms. Sarah Campbell:** Thank you. That's encouraging to hear. Certainly a review, I think, would be warranted.

I've got some other questions about how the money is allocated in the north, if I could continue along with that. Is there one large pot of money that's sort of allocated to the northern region of the province that is then divided up further?

I've just got a few questions. Maybe I'll ask them and then you can respond.

How would this northern pot relate to other areas of the province, if one exists? And how would this base funding be determined? What's been relayed to me by some informal conversations I've had with a variety of people who work in this area is that there's always the perception—and it's the reality, actually—that there's never enough money. Everybody's kind of fighting with one another over this pot of money and everyone's trying to be considerate of what their next nearest shelter is going through in terms of their challenges, but all the while recognizing that they also need a certain amount of money to make their bottom line work. Can you explain how that money is awarded, that base funding?

**Mr. Bohodar Rubashewsky:** I'll perhaps start and then I'll ask Karen Chan or Erin Hannah, as appropriate, to add more.

In fact, the approach that we take is more bottom-up than top-down. I mean, yes, sure, you're absolutely right; we do start in any given year with an allocation by program. It's determined based on historical need for that program, any changes in government policy that may be occurring and, obviously, fiscal considerations, any fiscal parameters that we have.

But in our transfer payment contracting process, which is really the heart of determining agency allocations, it really starts with a budget proposal from the agencies themselves, where they articulate—and a lot of it is based on historical precedent because, if they are a shelter, they have fixed costs. They have a certain number of beds. That submission, which includes what they are proposing or anticipating to provide in a way of service, whether it's beds occupied or clients served—they provide that to their program supervisors in any given region. Those program supervisors will analyze the data, confirm it, and there will be negotiations that occur to establish the service contract for the year.

Where there are anticipated gaps in service, anticipated needs, it's really within the hands of the region, initially, to determine whether any adjustments are required, but we do have the advantage of being able to look across the entire service system in a region—really, across the province—to be able to see what that picture is.

Karen, if there's anything—

**Ms. Karen Chan:** Yes, maybe just a couple of things, because I know we just probably have a couple—

**The Chair (Mr. Ernie Hardeman):** Yes, the time is up for this. We'll go around to the government. Ms. Malhi?

**Ms. Harinder Malhi:** First, I want to thank you all for being here today and for all the hard work that the Women's Directorate puts in, as the PA for women's issues.

My question is about violence against aboriginal women. This has been a distressing topic that has come up quite a bit in Canada, in Ontario and across the country. We've been seeing a lot of important coverage over the past year. With the Idle No More campaign and the push by many to see action on the many murdered or missing aboriginal women across the country, there has been a renewed focus by many on making strides to both make sure that this crime is reduced and hopefully eliminated in the future, as well as having a broader investigation into murdered and missing aboriginal women. Can you please speak to what the Ontario Women's Directorate has done on the topic of violence against aboriginal women?

1330

**Ms. Juanita Dobson:** Yes, thank you for that question. As you said, there are a number of challenges in the aboriginal community, particularly high prevalence rates for women and children in violence. The government has actually formed a joint working group with five aboriginal partners and ministries across various portfolios that have an interest. We, the Ontario Women's Directorate,



co-chair that with the Ministry of Aboriginal Affairs. Some of the five groups that are on the joint working group, in terms of the leadership, are the Ontario Federation of Indigenous Friendship Centres, the Ontario Native Women's Association, the Independent First Nations Alliance, the Métis Nation of Ontario and the Chiefs of Ontario.

This working group, being charged with the task of developing a long-term strategy, is hoping to report—the plan is—within the next 18 months, in terms of that long-term strategy. But in the meantime, there are also a number of things we're doing with our aboriginal partners: investing in particular in public education, planning and community-based initiatives that are being led by those aboriginal organizations to prevent violence against aboriginal women and girls, and working very closely with the families and the communities.

For example, some of the public education campaigns are raising awareness of the warning signs and risk factors of domestic violence, and encouraging aboriginal men and boys to speak out against violence. That has been launched. The First Nations' Draw the Line project is also providing public education and raising awareness in First Nations communities about sexual violence, and how bystanders can actually play a role, step up and speak out in supporting survivors.

The Building Aboriginal Women's Leadership program is training aboriginal women to take on leadership roles in their communities because, again, getting at prevention and providing people—empowering them—with the confidence to do that is important.

The Aboriginal Sexual Violence Community Response Initiative is also conducting some research to improve community responses to sexual violence against aboriginal women, and the aboriginal leadership in ending violence against women project is supporting aboriginal partners and the joint working group to deliver on some research, planning and community-based initiatives.

We've also been working on, and have launched, the Talk4Healing helpline for aboriginal women living in northern Ontario, through Comsoc, community and social services, and providing funding to train front-line workers, improving their skills in providing culturally appropriate services to victims, which is very important in the aboriginal community.

We are also supporting national organizations in their call for a federal-government national public inquiry on missing and murdered aboriginal women, and also the call for a national round table. We're in the planning stages with the national aboriginal organizations and our Ontario partners to do the planning work for a round table with those groups.

When you talk about violence against women in the aboriginal community, there are also a number of things that interconnect with that. We talk about the broader social issues around economic development, training, housing, education, health and child care. These things can't be taken in isolation; many of these things relate to

the violence we see in communities. So, this round table is hoping to talk about a number of those things and how we can work together on some solutions.

On these important issues—the unacceptable high rate of violence in these communities—our Premier and other Premiers have also called for action at the Council of the Federation level. It's time for us to have some greater dialogue at a national level on this, but Ontario is certainly leading in the work we've been doing with this joint working group.

**Ms. Harinder Malhi:** Thank you. I have a second question around violence against women. It's seen as a societal issue as much as an issue of a perpetrator committing a violent act against a victim. It seems that changing public attitudes toward violence against women would be an incredibly important task as well.

I've seen public attitudes change over the years with respect to this issue, especially with respect to domestic violence. The issue was once treated as a private issue, but now it seems that it is seen for what it really is: a crime.

It would be helpful if that kind of change could come for the other issues of violence against women in our society. I was wondering what you were doing to support public education on violence against women.

**Ms. Juanita Dobson:** On this one, I could go on for a really long time, but I'm going to choose a couple of areas on public education. As you know, and as we talked about, it's a complex issue and deeply rooted in many attitudes, behaviours and so on in our society.

We know that public education is key to changing attitudes. We talked a little earlier about how making that impact means a sustained effort, and continuously investing in public education over the long term—a bit of a comprehensive strategy to address some of the societal norms that perpetuate these harmful behaviours.

The directorate supports several organizations that deliver public education. Some of these, like the White Ribbon Campaign, and the Ontario Federation of Indigenous Friendship Centres, are engaging men and boys. The Ontario Coalition of Rape Crisis Centres, the Ontario Council of Agencies Serving Immigrants, and Action ontarienne are engaging diverse populations. In particular, we know there are a number of areas where we can do better to reach out, and those are where we're targeting.

These campaigns reflect what we know in terms of best practices in public education—for example, using social marketing strategies and non-blaming messages, equipping those closest to women to be able to identify domestic and sexual violence and to speak up and support victims, and to intervene effectively in the early stages on those things.

These campaigns also challenge commonly held beliefs, myths and stereotypes around violence against women, and engage all of us in the community around that dialogue and encourage developing healthy relationships and the importance of informed consent, in particular, for sexual activity.



These campaigns have been designed using the latest evidence-based research and input from Canadian and international experts. In 2011, for example, the women's directorate held a provincial conference on public education to share best practices and research. A tool kit was developed for this conference, which equips violence-against-women organizations' public education professionals with the knowledge and skills so that they can use this information to develop their own successful campaigns. The tool kit is a core resource now for the public education campaigns that the women's directorate launches and works with our community partners on.

In addition, we do fund a number of professional development and public education activities through the Learning Network, through the Centre for Research and Education on Violence Against Women and Children. This is at Western University, and this is quite an impressive group. The Learning Network hosts a website that also includes resources for professionals, and holds regular knowledge-exchange workshops. We see getting this information out to people and into their hands so they can use it as a very important role for the Ontario Women's Directorate.

In addition to that, we evaluate these programs. It's not just doing these campaigns, but we've also done a number of evaluation exercises. Our transfer payment organizations report back to us on how these campaigns have been effective. We've had some surveys done through Environics, as well as other surveys that have added data that helps us to understand how we can adapt our programs in future and how they've been effective over time.

**Ms. Harinder Malhi:** Thank you.

**The Chair (Mr. Ernie Hardeman):** Mr. Fraser.

**Mr. John Fraser:** Again, thank you very much for being here today. I have a couple of questions about shelters, because we heard this morning, in reviewing the report, that women and children were turned away. Shelters are a very important part of protecting people who are in distress, and that's a concerning thing. The question has a few parts to it, so I'll try to keep it brief.

How many people are we turning away, and what does "turning away" mean? I know that in my community—and just anecdotally, I would think, as a person working in a service trying to protect an individual, if you were not able to provide assistance, you would try to get somebody else to provide assistance. So I'd like to get an idea of whether you somehow measure that, or if there is a way of measuring that in the system, and whether turn-aways are just simply turn-aways.

I guess the follow-up question to that is, I know that inside competing organizations that are working toward the same goals, there are different levels of collaboration, and they probably vary regionally. I don't know if you have a measurement, or a comment on that, or what the ministry is doing in terms of trying to build some integration or collaboration inside that. I know it's a big question.

**Mr. Bohodar Rubashewsky:** On the first question, or the first part of your question, Mr. Fraser, maybe I'll start. Karen, you can chime in.

When a woman comes to VAW services, and in particular a shelter, an assessment is conducted on the situation that she is in and what the most appropriate service is. When a woman is in crisis and requires immediate shelter, even if a shelter is over capacity, no client is ever turned away who is in that circumstance. Our agencies have the latitude, even if an individual shelter is over capacity at that time, if the need is immediate, to undertake a temporary placement, in a hotel, even—again, on a highly confidential basis, and on a safe basis. But a bed is found whenever a bed is needed, and that is an expectation that we have of our agencies.

1340

Some of the other services that may be more appropriate, and I think we've referenced them previously, could include counselling; it could be housing, transitional or other housing; it could be referrals to mental health providers; it could be referrals to various justice services.

We do track, and our VAW shelters are required to report on, whether a woman is referred elsewhere because the service is at capacity at that location, or is referred to a more appropriate service. We didn't track that before. We do that now.

Karen, I'm not sure if you have something to add.

**Ms. Karen Chan:** Sure. Maybe I'll just add a little bit there. I think it's important to note, too, that for every individual who actually comes to a shelter or calls in, where there are some immediate needs, there are safety plans that are developed. That is a requirement that we make, that there is a safety plan for everyone who does come.

It is important to note that some people, some of what would be called "turned away" or "not served"—sometimes a woman might call in, and there might not be capacity at that shelter at that time. They may be offered other shelters in other communities, and they may choose not to take it. They may choose to find an alternative, or they may choose to not come at that moment, because of various needs that they have.

When they've done an assessment, it may be that they need to go to another service, as the deputy has said—maybe a mental health service is more appropriate—and then they may want to come back to that shelter. There are also instances that we know about where someone might not want to share a room or an accommodation, and that might be what is available, and they may choose to wait.

In these cases, it is important to note that if we've done a safety assessment and someone is at risk, they will be dealt with. The person will talk to them about their own safety concerns and they will be offered support. In some cases, we know that people are actually housed in hotels when the need is immediate and there is not the service provision in there.

We do expect, when there are safety concerns and when the woman needs and wants services at that moment, that they are found a place.

**Mr. John Fraser:** I don't want to miss the question on collaboration. How much time? Five minutes? Okay.



Before we get to collaboration, just in terms of getting back to measuring, you have a large number that says, “We had 15,000 turn-downs.” The other thing that I hear is, “We turn them down, but then we find them help. Nobody goes without getting help.”

To measure the effectiveness of the way the organizations work, are you measuring referrals? Are you measuring expenditures? Like, if you’re a more expensive cost—there would be a greater cost to hoteling somebody.

**Ms. Karen Chan:** As far as measuring, we do measure people more discretely than we did. We did appreciate the Auditor General’s report and some of those comments, because we didn’t have the discreteness. So we did change our requirements, and we now do know women who were referred to more appropriate services, in actual fact: In 2012-13, more than 11,700 people were referred to more appropriate services. Again, that comes back to the fact that they might have needed a mental health service; they might have needed some other kinds of services when they came in. The good news is, they’re calling. The good news is, they’re coming.

There were about 14,000 women who were referred elsewhere due to capacity. So they were able to get some additional services across the province.

**Mr. John Fraser:** So I guess just in terms of the assurance that everybody gets referred and gets service, would it be fair to characterize it to say that those 14,000 individuals got service? Is there a way of measuring that? Or is there a way of—I don’t want to say it in the general sense, but you see what I’m getting to.

**Ms. Karen Chan:** We exactly do. That is a complication for two reasons, and let me—quickly, because I know you’re running out of time. One is the confidentiality of the situation in tracking where people are going. That’s a concern for women and women’s shelters.

The other one is really around, to be honest, being able to do it from the agency perspective, being able to say, “Mrs. Smith went here and then went here for those kinds of additional referred services.” We’re looking at mechanisms to try to figure out how best to do that, and we do have what we call a data group that actually meets with the shelters to try to figure out, how better can we say that “Mrs. Smith ended up here”? We can be assured that if the individual, if the woman, needs service immediately, that does happen. But what doesn’t happen is where they’re tracked after that.

**Mr. John Fraser:** I do believe that people do the best they can to serve the individuals in front of them. I guess the question goes back to: Are we putting our money in the right spot when we do that? So that’s part of the measurement. Are we spending a bit more money than we—because I think what you’re saying goes to collaboration, which was the second part of my question, and I don’t want to lose that, because we’ve got three minutes left.

*Interjection.*

**Mr. John Fraser:** One minute left. One minute on collaboration, folks.

**Mr. Bohodar Rubashewsky:** In terms of collaboration, there are really two mechanisms—one that I spoke to in my opening comments: the domestic violence community coordinating committees. Also a very important one, and I think I may have mentioned it in my opening comments as well, is the children’s aid society-VAW collaboration agreements, which are really important, because obviously children are as much victims of domestic violence as women are. Having that interaction between child protection agencies and VAW services so that the children are as cared for, if I could say, as the women is very important to us.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. We’ll now start the second round.

If I could, just before we start, remind primarily the committee, but the deputants too, that this is a review of the auditor’s report. So if we could make sure we focus on the report and the challenges that the auditor found, and if the panel could kind of keep the answers to what you are doing about the problems that are there. I’m not directing what your questions should be, but I think it would be more helpful for the—

*Interjection.*

**The Chair (Mr. Ernie Hardeman):** You were the only one who was right on the money.

*Interjections.*

**Mr. Lou Rinaldi:** How much time do we have?

**The Chair (Mr. Ernie Hardeman):** We have just over 15 minutes per caucus.

Ms. Scott.

**Ms. Laurie Scott:** Thank you very much for appearing here today. It’s complicated, as you have set out. There are many factors involved. Confidentiality is one. To try to continue what Mr. Fraser had brought forward, we’re trying to track where the money is being spent in the programs delivered.

We have boards for each of the shelters. Is there any way—and maybe you’ve addressed it and I’ve missed it earlier—how you see where maybe best practices are followed: if my women’s shelter, for example, has a better success rate, in a way? It goes back to tracking and it goes back to best practices that we can share.

1350

In a sense, how does the ministry work with the boards of these shelters? Does anyone actually track recidivism? How successful are these programs? If you can summarize as best you can, because we don’t have a whole lot of time, on some of those, because I do have a couple of more questions after that, please.

**Ms. Karen Chan:** Okay, so I’ll try to be quick in my answers.

**Ms. Laurie Scott:** Yes. It’s all kind of tied in together.

**Ms. Karen Chan:** I think we started on that question. It certainly does relate to coordination. There are now community committees that are in place across the province. We are in the process of establishing some common—I’m going to call them “guidelines” because every community is slightly different. We want to allow



enough flexibility but also enough guidelines where they actually can bring data to the table, local data and local best practices, and share those locally within their 48 communities, and also track the data. That's one part of the answer.

We also do bring people together. I think the women's directorate can talk a little more about that around the training opportunities as they relate to the boards. We have brought people together on a regular basis to, again, share best practices. That's more on a provincial basis.

As far as tracking recidivism, that's an interesting one because that's hard to track, given the services that we have. I think it's a broader issue. I'm looking over at my colleagues here. I know we've had some data and I know we're pulling out new data. So maybe they'd like to speak to that.

**Ms. Laurie Scott:** Yes.

**Ms. Karen Chan:** Okay.

**Ms. Susan Seaby:** Something on the recidivism issue: It's actually difficult to interpret that information as well. We do know from studies that women will often leave a relationship several times before they leave permanently—

**The Chair (Mr. Ernie Hardeman):** Could you just move the microphone?

**Ms. Susan Seaby:** Sorry.

**The Chair (Mr. Ernie Hardeman):** Thank you.

**Ms. Susan Seaby:** There are cases where women will go back because they want to preserve their marriage; they want to preserve the relationship that the father has with the children. Sometimes that works out and sometimes it may not, but it is the women's choice, looking at all of the factors, as to whether that's the right thing to do—to go back or not.

Even when you see recidivist figures, while sometimes it might be a failure of the organization to have helped a woman develop a new life separate from her partner, sometimes it might have been the right thing for that woman and that child. So we can't use those kinds of figures to evaluate qualitatively: Is the agency doing the right thing or not?

**Ms. Laurie Scott:** I understand. That's why I started off with saying that this is incredibly complex. It's just that I know that the Auditor General made the recommendation about—we've discussed it earlier—the response rate on the client satisfaction survey. Not a great response rate—very low—and you can't even really determine the answer there, but also to analyze the results of the service being provided. That's why I was tying it into—nobody has the magic program, but sometimes there are programs that are out there.

If you've produced a program for the shelters to use, I guess the question is, are the service providers also giving you feedback on some programs or initiatives that, obviously, if they're successful, can be shared? I just wondered: Are the service providers giving their feedback to the programs that you've maybe initiated?

**Mr. Bohodar Rubashewsky:** If I could speak to the ministry programs, the answer is yes. I think I referenced

this in one of my earlier answers. In addition to the quantitative information that we collect from agencies, our program supervisors and our regional office executives do meet with their agency counterparts, the program supervisors, which are really the front line of support to agencies. They meet with them on a monthly basis, and agencies share best practices with these program supervisors. That's taken back for consideration and for dissemination to other agencies, and for inclusion in policy guidelines. We're working on a more detailed policy manual. The guidelines and procedures that we provide to our agencies are evolutionary, and they do take into account what we hear and what we see in the regions.

The regional office itself meets with local agencies on a quarterly basis for more rigorous discussions, not just on the conduct of the service during the course of the year but also best practices, potential innovations, and proposals for new types of service offerings that we hear about and we consider.

**Ms. Laurie Scott:** Okay. Just for time, I'll just move over to another topic.

Figure 3: I don't have a page number, but it's the percentage rate of self-reported spousal violence by province. I don't know, if I hold it up, if that helps you, because I've got a black-and-white copy here.

In someone's opening remarks—obviously, the reporting is difficult for workplace harassment. We're talking sexual harassment etc., but there's a tie-in with it all. So there are barriers, whatever, that I think need to be investigated as to why more women, especially, are not coming forward.

In this figure 3, the number of cases reported since 1993 until the 2009 figure dropped dramatically. I wondered if you could comment on how you thought—is there less, in this case, spousal violence being reported, or is it happening less? Why is there less reporting happening? Just to help, maybe—yes, it's a StatsCan.

**Ms. Susan Seaby:** Yes. The Stats Canada data is based on telephone surveys of people, so it's probably our best statistic. The other statistics, related to reporting to police, are less reliable. They don't really tell us about prevalence. They tell us about how comfortable people are reporting to the police.

So that is the best of what we have so far, and it is a definite decline from the 12% in 1993 to the 6.3% today in Ontario. But still, it's a lengthy period of time between 1993 and 2009. We know that change will take time, but it is a change that we've seen here in Ontario and in terms of the national average as well.

**Ms. Laurie Scott:** Go ahead.

**Ms. Juanita Dobson:** That's part of the reason why we're actually looking for another increased sample for Ontario, to get a better sample size through the general survey—because we actually want to drill down a little bit more and find out; maybe we can start to put some dots together about why that is happening—and a little bit more information from StatsCan and also the research organization that we have a partnership with at Western



Ontario. They're also doing research and looking at different things that can feed into that StatsCan data.

**Ms. Laurie Scott:** How much time do we have?

**The Chair (Mr. Ernie Hardeman):** You've got about six minutes left.

**Ms. Laurie Scott:** Okay. There are some regional disparities of services offered. Ms. Campbell mentioned northern Ontario, aboriginal women—we don't do too badly in my rural community, but if I just say rural Ontario in general, right, there are some deficiencies.

Can you just explain—you seem to have identified the regions that are underserved. Did someone say that they knew the regions that they felt were underserved in one of the openings? Okay, so there are certainly regions—maybe it was in the Auditor General's report that she identified some inconsistency in regions that were underserved. Is there a plan for how to compensate for that?

1400

**Ms. Karen Chan:** It's really hard to determine the underserved—again, if you look at the whole problem and all of what I would call the bucket of services that we provide to the wide range of people. But let me just talk about two things we've done that I think are really key.

One is the committees we've set up across the province; I've talked about them a couple of times. These are 48 committees, made up of people who are actually providing those services and other service providers who are the supporters that we talked about. We are asking these committees, as we work our way through—given the response from the Auditor General, we're being more specific around what it is we'd like them to do, and reporting. So we'll be asking them to actually write a report so that we'll be able to roll that report up and look at the kinds of issues they're identifying, community by community, and then try to take that look at where we have issues that go right across the province and where we have issues in particular geographic areas in the province. So we'll be able to take the 48 committees and we'll be able to map them. We will be asking them, as we work our way through this—we haven't done this; this is as a result of the recommendations of the Auditor General. We'll be more specific about what we want each of those committees to report on so we can look at both regional and province-wide data.

I think that's really important, and we're really quite excited about moving forward with that, as are the committees. They're quite new, so they needed to grow and develop a little bit before they would be ready.

The other piece that I think is important is our new regional office structure. We've created new regional office structures since January. There are now five regions. Some of the things we are driving to, as it relates to the regional office structure: First, we work together collaboratively with youth justice, our children services and our adult services. The three of us, across two ministries, actually manage the regional offices together. We have joint meetings, and we're looking for joint issues, again, across the province. In addition, our expectation of our new regional directors in those five regions is that they look horizontally as well across the

region. So we'll be able to identify more specifically, given the requirements we're asking across more than one ministry, the issues, whether they're related to violence against women or some of the other program areas we have responsibility for. We're finding, again, that that's actually quite new, because it's only since January, but really quite successful in both exchanging good and best practices and having that continuity.

**The Chair (Mr. Ernie Hardeman):** Two minutes.

**Mrs. Julia Munro:** Two minutes. I just wanted to ask you a couple of things about Ontario's Sexual Violence Action Plan. There's very good news in there in terms of being able to look for prevention items you have undertaken. So my question, like the one for family and encouraging men to take an appropriate role, the one on the human rights code changing, and the third one was practitioners in community health care, education and justice sectors need access to ongoing professional development—tell me it's all taking place and what is happening.

**Ms. Juanita Dobson:** Actually, there have been a number of pieces of work launched on that. Susan can probably tell you in more detail. I know there have been, I think, about 6,000 or so professionals who have gone through training programs. These are a wide range of professionals. We've started work on that.

We've also launched some of the things I spoke of earlier: some the public education campaign components, funding interpreter services for people who don't speak English as their first language. That's through the other part of our ministry, which is the citizenship and immigration side doing that work. I think there has also been some work around the colleges and universities. We can talk a little bit about that.

Susan, are there other things that we can highlight?

**Ms. Susan Seaby:** For sure, the public education programs have been really important. I think what everyone is telling us is that we need to start changing the attitudes that perpetuate the violence in the first place, as much as we need to support victims when it happens.

There has been a real concerted effort, and we are providing funding to organizations like the White Ribbon Campaign, which is working with men and boys, and the Ontario Federation of Indigenous Friendship Centres, which is working in the aboriginal communities with men and boys. We also have the Ontario association of settlement programs, which is working with newcomers throughout the province on this issue, and a number of other partners who have joined in on the campaign.

We're starting to get some baseline data. The White Ribbon Campaign did work on a survey of men's attitudes—

**The Chair (Mr. Ernie Hardeman):** Thank you very much, and I'm sure the rest of that great answer will fit in with the next question. Ms. Campbell.

**Ms. Susan Seaby:** We do have one in the north, with Nishnawbe Aski Nation.

**Ms. Sarah Campbell:** With all due respect for some of the comments that the Chair made, I'm going to continue along with some of the questions that I have as they relate to this report. Certainly, we're talking about



these themes, and I'm raising some important anecdotes that I see are happening in the north that I think highlight some of the key deficiencies that we have been seeing.

I wanted to move on to the monitoring quality of services. Particularly, I wanted to talk about the 2009 building security assessment and the fact that there are greater than 500 safety and security items requiring attention in women's shelters across this province. The thing that really stuck out to me is the fact that as of March 31, 2012—this is three years after this information was compiled—only 10% of these safety and security items had been funded. It's not known what the status is of these things, as was mentioned, and the ministry doesn't perform site inspections, which is very, very important. It's shocking to me. What also is shocking is that it's not until 2019 that another building condition assessment will be performed.

When I hear of this issue, I instantly think of Dryden's Hoshizaki House. I'm not sure if the ministry is aware of this. Just to provide the members in this committee, as well as the ministry, with an update, this facility is over 100 years old. It is a former residence that was converted into kind of a makeshift shelter. The foundation is built onto the edge of the rock. The foundation shifts. It causes the doors to stick and waves to develop in the floors. There's sealant that covers the mould in the basement, and the air quality is poor.

We talk about the mandate of this particular ministry to provide a safe space for women to go to in their time of need. What happened in one particular storm was the entire building shifted. Believe it or not, it severed the phone lines, so there were no phone lines going into this emergency shelter. We have all these women and children who are there, and they can't communicate with the police, which is a huge concern.

What also is concerning, though, is that when it comes time to do some repairs around this place, there is expensive ongoing maintenance. This points to value for money. There are routine repairs that turn out to be very costly. I'm going to give you two examples.

There was a water leak with a washing machine, a pretty routine thing that should cost about \$1,500. It resulted in a \$10,000 bill. Once they started pulling up the floors, they were noticing mould. They were noticing some of the joists that have been cut over the 100 years that this building has existed, things that may have been okay—or may have happened when a family was living there—but with the modifications over the years, they aren't.

The other example I wanted to give is with bathroom repairs. What should have been a \$5,000 or \$6,000 job has turned into a \$25,000 bill.

Many of these costs are paid internally. They're taking money, their operational dollars that should go to providing front-line services, to do this patchwork. Again, I'm mentioning this for value for money.

1410

When Hoshizaki House did go to the ministry, the ministry stated that since 2006-07, Hoshizaki House has received over \$290,000 in infrastructure funding to help

maintain its site in a "state of good repair." So what they're doing is throwing good money after bad. We have replaced windows. We need it, and we have the best bullet-proof windows on this place, but, meanwhile, what is the rest of the structure built out of? It's drafty. The heating costs, the mould problems, the air-quality problems, the fact that the building is shifting, we're severing phone lines—I mean, this is all serious stuff.

The problem is, as I said, it's clearly a value-for-money issue. I would like to know, recognizing that infrastructure dollars are tight, are there any plans to build Dryden a new shelter? Because I think we would all recognize that spending \$290,000 for these little band-aid solutions—and that's not including, like I said, that \$25,000 or that extra \$10,000. These things are always happening. It just doesn't make sense to keep doing this. So the question is simply, are there infrastructure dollars that are coming for Dryden?

**Mr. Bohodar Rubashewsky:** If I could ask Karen to speak to this.

**Ms. Karen Chan:** It would be hard for me to speak directly to Dryden, but I can tell you what the process is a little bit, if that would be helpful.

There has been, we noted, just over \$32 million in infrastructure money that has gone to shelters across the province over the last five years, so that's within the last five years. In fact, there has been some money in some cases for replacement. Some communities have done their own fundraising and have done replacement.

I need to be honest and say that we don't have a large capital budget; we have a minor capital budget. In some cases, we have been able to help out some communities, and over the past five years we have been able to help out either to expand or in some cases to replace facilities.

Maybe I'll just tell you a little bit about the process. It is true that building condition assessments are done and they were done, as the auditor noted, and they help us to identify—they help, actually, the agency to identify—some of their high-priority needs. Some of them they can fund out of their normal operating budget and they actually take care of them that way, because every shelter would have some of those kinds of dollars in. Other times they apply for what's called the partner renewal funding, and they bring those applications in. They are assessed across the province. They are assessed first within their own region—the north, if it was in the north—and then they are assessed across the province. We do allocate dollars for repairs and maintenance. It would appear as if maybe this organization has received some of that funding specifically, although I can't speak specifically to one shelter.

So those come in. We do allocate funding. If we have any flexibility, we actually continue to go down the list of applications that have come in.

If we have any flexibility, we also look to see if we have any dollars for replacement in situations maybe similar to the kinds of conditions that you are talking about, where it maybe isn't the best option to keep putting money in. So we have done some of that in some



cases. In most cases—in almost every case—communities and organizations have done some of their own fundraising that actually supports that.

Then there's just one piece that I want to add: We are actually in the process of tendering out to do additional building assessments, which the ministry will pay for. That is, though, a tool that goes back to the agency to help them manage and also help us prioritize so that we have a common tool. So it helps both the agency that has that responsibility and the ministry in the prioritization. Does that help a little?

**Ms. Sarah Campbell:** A little. Speaking to the larger issue of value for money and, again, this sense of pouring good money after bad: Failing the idea of building Dryden a new shelter, what is the ministry prepared to do to address this serious safety issue, hopefully before 2019, and what can we expect to see around the province? Dryden can't be the only case. I raise this as an example.

**Ms. Karen Chan:** Again, I can't speak specifically to one organization and what we can do in one particular community. There is a process, and we do have some applications. We do have a list—I have it here—of those who have actually gone through the process of saying, "We want to replace." The board has made that decision. They have put together an application. They have sent it in, and we can look at it. So that would be a process that the board would need to engage in, and then we could look at it.

Again, I think I need to mention that in every case, there is co-funding, because we don't have money for major infrastructure kinds of projects. Where we've been able to help out, in some cases, we have.

**Ms. Sarah Campbell:** Thank you. I'm glad to hear you mention that there's a list, because Dryden has undertaken this process. The board has agreed.

**Ms. Karen Chan:** Good.

**Ms. Sarah Campbell:** It's a very easy decision to make. They've also put together a package or they've had a report done that has identified the needs—whatever the builders do. They've kind of done that, but the problem that they have experienced, and again this speaks to a larger issue, is that every time they've gotten one step closer, they've been told by the ministry—there was an article that was published in the local paper that exposed all of the problems that we have in Dryden. We were told that no such infrastructure list exists. So my question is this: Is there a northern infrastructure list? Is Dryden on that list? How much of a priority is Dryden?

**Ms. Karen Chan:** I can't speak exactly to the whole list. What I have here is some of the list. I don't have all of the repairs and maintenance list with me. So it's hard for me to speak to one particular application. We could certainly discuss that offline, though, and have a conversation specifically about Dryden and specifically about their needs.

**Ms. Sarah Campbell:** Sure. Didn't the report—in response to the auditor's report, I should say, you mentioned that you have an asset management framework

that the ministry is developing to better support capital funding decision-making. Can you elaborate on that process and that framework?

**Ms. Karen Chan:** It is similar to what I've just talked about. What we've been driving towards are, actually, some more consistent criteria. It is true that the requests outstrip the dollars that we do have available; I need to be honest about that. One of the conditions, though, is the age of the asset and really, is it worth continuing to put money in? So asset age is for sure a criterion. The timing, health and safety kinds of issues, some of the things that you've already identified—what does the building condition assessment report say? What are the types of repairs? Those are the kinds of things that are used as criteria to actually assess the prioritization of the various projects.

**Ms. Sarah Campbell:** How much time do we have left?

**The Chair (Mr. Ernie Hardeman):** You have about three minutes left.

**Ms. Sarah Campbell:** Okay, that's good. Just to be absolutely clear, then, is there a northern priority list? Whether or not Dryden is on the list at this point, I understand you can't speak to that, but is there a northern priority infrastructure list?

**Ms. Karen Chan:** There is a total list that we could actually divide by region. It can be sorted by region.

**Ms. Sarah Campbell:** That's fine. And there are, at this point, committed dollars towards infrastructure each and every year? Is there?

**Ms. Karen Chan:** There is.

**Ms. Sarah Campbell:** How much is that, for the province?

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**Ms. Karen Chan:** It has varied. It has been \$32 million, and so far this current fiscal year we've committed about \$800,000. Last fiscal year, there was about \$1.8 million, and then we were able to commit \$2.4 million in addition to that. So \$1.8 million plus \$2.4 million, and we hope that we can commit more this year. Funding has ranged anywhere from about \$10 million to about \$5 million in availability over the last five years.

**Ms. Sarah Campbell:** And that includes renovations as well as new facilities?

**Ms. Karen Chan:** It does.

**Ms. Sarah Campbell:** There's no doubt that there's a lot of positive work that's being done across the province to combat violence against women. But as the Auditor General's report identified, we have a real lack of monitoring progress and targets, and we're left with a sense that we don't really know who we're serving, if we're helping, who we're leaving behind, and how to get the most value for our money. I recognize the position that the ministry officials are in. Certainly you're proud of the work that you've been doing, and we've seen that a lot of that work is good that's happening. We do have a way to go.

In recognizing that, what is the ministry's response to some of the criticisms that the Auditor General has put in her report in terms of some tangibles? What are we going



to do to improve the reporting with the surveys to make sure that we are actually getting the most value for our dollars when it comes to infrastructure and all of those other things that were mentioned?

**Mr. Bohodar Rubashewsky:** I'll ask Karen to add to this.

I would say that, like many programs, we are rich in collecting information but not necessarily in analyzing it—or at least, that has been the case. I've been the interim deputy for several weeks now and I've noted, as I've looked back at this report and previous reports, that variability of service, differences in benchmark costs and things like that are a bit of an undercurrent in previous reports. This is why we are really focusing our efforts on taking the information that we collect not just for service contracting purposes but actually rolling it up and doing assessments of cost per resident served, cost per bed provided. It's not just restricted to VAW programs; it's the case across all of our programs.

To provide some more comparative analysis, I would have to say that some of the measures that we know we have to consider and work on are measures that the Auditor General has actually highlighted in some of her and her predecessor's reports. So we're putting an emphasis on working with the data, working with our VAW-sector partners as well as our regional and corporate offices to make that data more valuable so that we can measure service more effectively.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. We'll extend the rest of the answer on to the government side. Mr. Potts.

**Mr. Arthur Potts:** Thank you, Mr. Chair, and thank you very much for coming.

This is one of those really interesting subject areas. I noticed that in the deputy minister's initial remarks he talked about "eradication." And it's one of those interesting files where the best-news story would be giving less and less money towards it. It's like a food bank: We'd rather they weren't there. But they are there, and we need to address them.

The first part of my question would be on establishing the assessment of the needs of the overall population of women who would want to be served here. And I think this speaks to the auditor's comments about regional distribution of needs. In her report she talks about Peel, Dufferin, Waterloo and Halton. Her analysis is based on the proportion of women in the population compared to the amount of monies that are spent in those neighbourhoods. So the proportion of women is some kind of a proxy of where needs may be available. Of course, just the proportion of women in that community isn't in itself necessarily indicative that there needs to be support. You think of an area like Halton and Oakville; in economically well-off areas, maybe the needs will be different.

It's not a perfect measure, but I think it speaks to the fact that maybe we don't have a measure. Maybe you could comment on what we are doing to establish what the population needs are with respect to different parts of the province.

In my capacity in rural affairs, as parliamentary assistant, I share the concerns of Ms. Scott, Ms. Campbell and Ms. Munro about how it's important that there be fair and equitable distribution of needs where the needs are. If it's more rural, more urban, that's to be decided. Are we doing work in that area to assess where needs are, and how are we doing that? How are we doing the assessment? Maybe you could comment on that first.

**Ms. Susan Seaby:** I'll start. This is a very difficult issue and we all know that. This is a problem that crosses social classes and income groups and so on, but at the same time, we know from research studies that certain populations are at a higher risk. For example, aboriginal women, which were mentioned earlier, we know have a higher prevalence rate in Ontario and in Canada than some of the other population groups. We know that immigrant women, for example, if they are women without a lot of social supports—obviously not every immigrant woman—may also be at risk and not be able to access services in the same way as others, if they don't speak English or French or have that kind of family connection here in Canada. Disabled women are another population group that has been shown to be at risk of violence, particularly with respect to caregivers and so on.

We do need much more nuanced data, and that's part of what Juanita was talking about earlier when we were looking at a combination of what we can get that's sort of better, in terms of Stats Canada surveys—it's a much larger sample size—so that we can look both geographically to get better differences and also look at specific populations. I think in the current round, Stats Canada—they have a lot of demands on their research time, but they are looking more at immigrant populations, trying to get better questions on that, and also with respect to dating violence and youth and so on. We're hoping that that will give us more to work from in the future. We're also looking to see if we can—this is expensive—purchase deeper samples in future years.

We have to ultimately also combine the data that's being collected that way through population surveys with other kinds of studies that are not as expensive but that also can give us more qualitative information. That's some of the work, which I think was mentioned earlier in our chart, that's being done to look at, for example, young women; as you know, that's another population that's really at high risk. So looking at colleges and universities is quite important, as well as other settings.

Also, workplaces is an area where we're trying to get better information. We have funded the centre for research on violence against women and children, which is forming a national network to look more at workplace violence and specifically domestic violence in the workplace, which has been a concern.

So there are lots of efforts under way to better understand this. We don't have perfect information yet, but I think it's been getting better all the time.

**Mr. Arthur Potts:** Okay. The social awareness information, of course, is so important. Again, that's where



you would see, potentially, reductions in the need for services if the social awareness campaigns were working.

Anecdotally, some 25 years ago at city hall, when I worked down there, I met up with a Metro councillor, Roger Hollander, who was one of the original founders of the White Ribbon Campaign, with Jack Layton, down there at the time. I remember very early on, in my sort of public engagement process, following along and understanding very much that this is not a women's issue; it's a societal issue, and men play a very important part in it.

So I appreciate the work you continue to do; White Ribbon you mentioned a couple of times, and that's excellent.

I guess one of the concerns we were having as we had our briefing this morning is, again, at the targeted goals, and that the responses seem to be always coming back to, "This is the money we're putting in, but are we really getting the results back that we want?" What I've heard here—which is great, because I didn't see it as much in the report and the recommendations—is that in fact we are establishing the targets. I think that's excellent.

To Ms. Campbell's comments about capital funding, I know Beaches–East York is a high-needs neighbourhood. We have a number of shelters there in the capital pool. I hope we didn't jump a priority queue, but it was represented by a member of another party in the past. We had, I think, almost 10% of the capital grants into my neighbourhood addressing issues like rotting foundations, fire safety issues and such, and that's been really helpful for very important agencies. Is that atypical?

1430

The report talks about some 500 items that were to be addressed in safety and security and building maintenance issues. Are we catching up on that? What's happening in that area, or are we typical?

**Ms. Karen Chan:** That speaks to the building condition assessments that were done.

**Mr. Arthur Potts:** Right.

**Ms. Karen Chan:** As we pointed out, the building condition assessments are a tool for both the boards and for us in approving funding. We actually pay for that, so that the boards can understand the building condition needs and think about how they can help deal with those and/or think about, in some cases, do they need to think about a different kind of location.

It's hard to say whether we're catching up on those. We'll get a better idea on that when we do the next phase of the building condition assessments that's just about to go out to RFP, and we'll be going out and doing them. Then, we'll be able to compare the original data with the new data, and we'll be able to look at, again, if there are common areas and what the common areas were before. Are we catching up?

We know that, in all of our programs in MCSS, many are small infrastructures, houses. We all know, many of us who have houses, that the repair budget never really quite ends. Even if we did our own building condition assessments on our own homes, it would be interesting to see how far we're getting, because you meet some and

then you have to add some on. So I think the fact that we're doing the building condition assessments will give us some of that information and some of those tools, and we'll be able to see if we're making any progress. It really will be interesting to see, too, if the agencies identify to us that those tools have been helpful to them in actually planning out their own repair needs.

Some of them can actually—what comes up in the 400 could be something relatively simple that boards can manage within their own funding formula. So many, many of them could be things that they could manage themselves.

**Mr. Arthur Potts:** Right.

**The Chair (Mr. Ernie Hardeman):** Mr. Dong, you have a further question?

**Mr. Arthur Potts:** You want to go—

**Mr. Han Dong:** Sure, I'll ask one. My question is to the Ontario Women's Directorate. As you know, I'm the parliamentary assistant to training, colleges and universities, so I'm particularly interested in violence or sexual assault against women on university campuses or college campuses. Recently, we've heard that there were some high-profile tragedies that happened in GTA universities. I know those cases are extremely rare, but the severity and the impact to our reputation across the world is noticeable. I know that universities and campuses have done quite a bit of improvement. I personally visited there and I asked the administration about the things they're doing. Even the students are organizing clubs and programs to help each other out.

I had numerous meetings with them, and they all told me that they know that this is a rare incident, nevertheless still quite shivery to them because these things—they always feel that there's a possibility of this happening.

In that context, what has the Ontario women's secretariat done—any initiatives, any programs you've seen that are really yielding results in the aspect of protecting female students and giving them a safer environment to advance their post-secondary education?

**Ms. Juanita Dobson:** Thank you for that question.

*Interjection.*

**Ms. Juanita Dobson:** Oh, do you want to go ahead? He's back. Do you want me to go ahead, or are you going to go?

**Mr. Chisanga Puta-Chekwe:** I did not wish to disrupt proceedings, but we're getting a few more questions than I had anticipated. I'm sure that my ADM is going to want to add to this.

I think it's a very important point that you raise. Young women are extremely vulnerable when they go to university or college, because they are leaving a familiar environment. They're going into entirely new social circumstances. They are forming new friendships without having a basis. They're taking a lot of risks, and in that space they make themselves vulnerable to sexual attack, certainly.

The Ontario Women's Directorate, as you indicated, has worked with the Ministry of Training, Colleges and



Universities, the post-secondary education sector and women's organizations to create Ontario's resource guide for colleges and universities. I actually remember that when this resource guide came out, I thought I was reading it privately and confidentially at the Art Gallery of Ontario; I was waiting for some friends. Two women sitting next to me were quite interested in this, without my realizing it. When I finished, quite secure that this document was secure and nobody else had looked at it, they said, "Hmm, that looked very interesting. What's your concern?"

So I said, "Well, actually, it's going to be made public very soon anyway." I told them what it was, and they were very excited that, at long last, action was being taken on this very, very troubling issue. That was in 2013; that's the year that the guide was actually introduced.

The value of this guide is that it provides very valuable support to universities and colleges in their ongoing efforts not just to prevent but actually respond to sexual violence. I think, as you will appreciate, that the huge challenge we have in this area is people just being able to accept the reality of having been assaulted, and that leads to reluctance to report. This guide addresses issues like that, and in that respect alone it has been extremely invaluable.

Do you have something to add?

**Ms. Juanita Dobson:** Absolutely, that piece of work has been very well received. We've gotten positive feedback, and the universities and colleges are using that, actually, to support their campaigns and the work they're doing with their organizations.

Another thing I just want to mention quickly, before we run out of time, is that the University of Ottawa campus climate study is actually underway. This is going to help inform the OWD and others about campus safety

initiatives. The survey is being facilitated by the University of Ottawa Task Force on Respect and Equality. They're surveying 5,000 students, with a view to measuring attitudes and experiences of harassment and violence on the university campus.

When we get these findings—we anticipate they're going to be released in maybe late December or early January—the director will be taking a look at that and reviewing that study to determine whether or not a similar study could be done on other campuses. It might be helpful to sort of get a bit more information, but also help inform some of the work we already have underway and things we might be planning in the future, based on some of those survey results. We're looking forward to having an opportunity to review that.

**Mr. Han Dong:** I look forward to that survey result. Just to add to what the deputy was saying, I personally have a friend who went through this terrible experience, and I kind of helped her along the way. She was a classic example of what you just said: someone who was here alone, away from family and relatives, and completely taken advantage of by someone she barely knew. I'm very happy to know there is something being done about this. Hopefully, going forward, these things will become even more rare than we have experienced in the past.

**The Chair (Mr. Ernie Hardeman):** Thank you very much, and it's a good thing there was no question in that because there's no time for the answer. But thank you all very much for being here this afternoon. We very much appreciate you taking the time and helping us out with our deliberations. Thank you for coming in.

The committee will now go in camera for a session with our leg counsel—leg research, not quite counsel—to talk about the process from here on in.

*The committee continued in closed session at 1441.*











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## Legislative Assembly of Ontario

First Session, 41<sup>st</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 26 November 2014

# Journal des débats (Hansard)

Mercredi 26 novembre 2014

### Standing Committee on Public Accounts

2013 Annual Report,  
Auditor General:

Ministry of Energy

Ontario Power Generation

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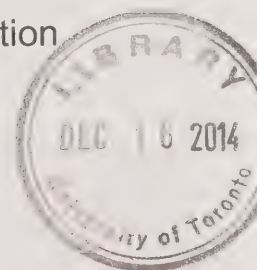
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## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

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PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Wednesday 26 November 2014

Mercredi 26 novembre 2014

*The committee met at 1231 in room 151 following a closed session.*

2013 ANNUAL REPORT,  
AUDITOR GENERAL

Consideration of section 3.05, Ontario Power Generation Human Resources.

MINISTRY OF ENERGY  
ONTARIO POWER GENERATION

**The Chair (Mr. Ernie Hardeman):** We'll call to order the public accounts committee for the afternoon of the session. We have presentations this afternoon from the Ministry of Energy and Ontario Power Generation, the OPG.

We will start as we usually do, extending a warm welcome to our guests at the informative table, shall we call it. We will have 20 minutes for you to make a presentation, and then we will have questions from the committee. This round, I think we will start with the third party, and we'll have 20 minutes in rotation as we go around to ask questions about the report. We apologize; the Auditor General was busy elsewhere for a few moments, but as I speak, she's arriving.

With that, again, thank you very much for being here. We'll turn the floor over to you for your 20 minutes.

**Mr. Serge Imbrogno:** Good afternoon, and thank you for the opportunity—

**The Chair (Mr. Ernie Hardeman):** If I could stop you just for a moment—if each one of you would introduce yourself for Hansard as you start speaking so we can put it in the record.

**Mr. Serge Imbrogno:** Okay. I'm Serge Imbrogno. I'm the deputy minister, Ministry of Energy.

Good afternoon, and thank you for the opportunity to address the committee today. Also joining me today is Michael Reid, my assistant deputy minister, strategic network and agency policy division. Michael is right there.

Finding efficiencies in our agencies is a ministry priority, and this priority has been communicated clearly to our agencies' CEOs and boards. The government and the Ministry of Energy fully support Ontario Power Generation's commitment to continuous improvement, to meet or exceed the recommendations of the 2013 Auditor General's report on human resources. As is evident from

the progress report posted on OPG's website that highlights their achievements thus far, there is a long-term strategy in place to find efficiencies and it is proceeding as planned.

Today, let me first provide some context around the Ontario government's and the Ministry of Energy's relationship with OPG. OPG is a corporation, a commercial entity owned by the province of Ontario. The government and OPG have a memorandum of agreement that governs the relationship and the agency's mandate, setting out the government's expectations of OPG and OPG's agreement to meet these expectations. OPG works to meet these expectations through its board of directors, which provides independent supervision to management over areas that are critical to the company's success.

The Ministries of Energy and Finance annually review OPG's rolling, three-year business plans, submitting these plans to Treasury Board. In addition, regular meetings take place between myself, the Minister of Energy and senior management from OPG. Monthly staff-level meetings are also held between OPG and the Ministries of Energy and Finance.

As a reporting issuer under the Securities Act, OPG has continuous disclosure requirements related to its business and to publicly release its quarterly and annual reports. Because OPG is an Ontario Business Corporations Act company, it is subject to all of the governance requirements associated with the OBCA.

OPG is also subject to oversight by the Ontario Energy Board. The Ontario Energy Board is an independent regulator responsible for reviewing OPG's rate applications, with a mandate to protect Ontario's consumers as well as reviewing OPG's operations to ensure licence conditions are met.

In addition, OPG's nuclear reactors are licensed and regulated by the Canadian Nuclear Safety Commission. Under the Nuclear Safety and Control Act, the Canadian Nuclear Safety Commission is responsible for regulating all nuclear facilities and nuclear-related activities in Canada. The Canadian Nuclear Safety Commission grants station operating licences, which set out the requirements under which stations must operate.

So the province and a number of other bodies provide oversight, and OPG works to meet clear government expectations as a matter of course. But it is important to point out that OPG is a corporate entity, with specific roles and obligations of the board and management to



oversee day-to-day operations and the related decision-making.

We can assist by offering a wealth of advice—and we have—from the Drummond report to the Leech report to the work of the council on government assets, which has identified opportunities for operating savings at OPG.

As has already been announced, OPG has initiated an action plan to address the findings of the Auditor General's 2013 report regarding HR practices.

The Minister of Energy requested that Ministry of Finance internal audit support and review OPG's implementation plan by conducting spot audits and providing advice to the ministry. For a period, internal audit has been embedded in OPG, to oversee implementation of OPG's action plan in response to the findings and recommendations of the Auditor General. The team has provided my minister and the Ministry of Energy with an unbiased perspective, and we are satisfied that OPG is making good progress towards implementing improvements to its HR practices.

OPG presents its actions to the ministry and to internal audit on a regular basis. It also posts progress reports online on its website for public access, along with details on its response to the Auditor General's findings. OPG has posted the latest update this month.

In summary, as a ministry, we continue to work to ensure a reliable, clean and affordable system for Ontario ratepayers. The ministry expects that the principle of value for money that we follow will be fully adopted by our agencies to ensure that ratepayers in this sector see the efficiency and affordability they deserve. The ministry will continue explore to ways to increase system efficiencies and bring about ratepayer cost savings.

I'll pass it on to Bernard Lord, the chair.

**Mr. Bernard Lord:** Mr. Chair, members of the committee, my name is Bernard Lord. I am the board chair of OPG. Good afternoon, and thank you very much for inviting us to be here today and giving us the opportunity to speak with you. I have with me Tom Mitchell, who's president and CEO; Barb Keenan, senior VP of people and culture; and Beth Summers, our CFO, is here also. We look forward to outlining our progress on the Auditor General's 2013 report and welcome your questions.

As a former Premier of New Brunswick, I fully appreciate the importance of accountability for provincially owned utilities. So I come to this new role here at OPG with some previous experience in utility governance.

I understand Ontario electricity consumers and customers want affordability and reliability. As you probably know, our mission at OPG is to be Ontario's low-cost electricity generator of choice, and that's exactly what we had in mind when the board of OPG and the management of OPG acted quickly to respond and address the findings of the Auditor General's report last year.

Before I get to some of the details, I'd like to give you a brief overview of OPG and then lay out the actions that were taken by the board in response to the Auditor Gen-

eral's report. Tom will then outline some of the specific measures implemented or those that are under way.

As you probably know, OPG provides about half of the power produced in Ontario, and we do so at a price that is currently about 47% lower than our competitors. Even with our recent rate increase from the Ontario Energy Board, the first since 2008, OPG remains Ontario's lowest-cost generator. Given our size, this means we help to significantly moderate the price of electricity in Ontario.

OPG safely operates stations from Kenora to Cornwall and pretty much everywhere in between. Some of our assets have been generating power for more than 100 years. Our fleet includes 65 hydro stations, three nuclear sites, one of which is leased to a private company, and a recently completed biomass-fueled plant.

When the province asked OPG to help rebuild the power system to make it cleaner and more reliable, OPG responded by successfully closing down coal stations while minimizing the impact to employees. And we're helping grow the economy by building new projects like the \$2.6-billion Lower Mattagami hydroelectric redevelopment with our project partner, the Moose Cree First Nation. Directly employing 250 First Nation and Métis workers at its peak, it's the largest hydroelectric project the north has seen in over 40 years.

**1240**

We're also currently preparing for the Darlington refurbishment. Under Tom and the senior management's leadership, the company is continuing a successful business transformation, which will save over \$1 billion from 2011 to 2016, resulting in ongoing yearly savings of over \$400 million and a reduction of 2,300 employees.

When the Auditor General's 2013 report was released, the board acted swiftly by making some key personnel changes at the executive level. The board's compensation and human resources committee was mandated to monitor management's progress on implementing the recommendations, and still continues this role. The committee also commissioned independent advisers to review our compensation plan. This resulted in a new segmented approach to compensation.

I have to say, I'm new to this role, but clearly I can sense that within the organization people are proud of our operations, and we are proud of our people.

We would welcome this committee to visit any of our projects and plants. This is an offer to everyone here, and any members in your caucus. You're more than welcome to join us and visit our plant.

Also, I think you should visit the education centre that was just opened recently for the Darlington refurbishment project. It is impressive. This is world-leading technology, and a world-leading approach that is being implemented here in Ontario.

At this moment, I will it over to Tom Mitchell to outline more details about the company's response.

**Mr. Tom Mitchell:** Thank you, Bernard. Good afternoon, everyone, and thank you for this opportunity to share our progress on the Auditor General's recommendations.



I can report that all planned OPG management actions in response have been completed on schedule and future actions are on track. This includes continuous improvement initiatives that go beyond the recommendations. Our six-month key actions report, which we provided to the Clerk and which is posted on our website, includes our progress up to the end of June. We're currently working on the next report for the end of 2014. So today, when we speak, we may give you a bit more current numbers and information.

I'll provide a more detailed overview of our actions in a moment. First, I want to outline a broader transformational exercise that began in January 2011.

The Auditor General's review of OPG's human resource practices covered a period of 10 years. Over this period, and since our inception in 1999, the company has seen a lot of change. We have had our challenges, but we have also achieved significant performance improvement. We benchmarked against the best industry performers because, as a publicly owned company, we decided we wanted to be the safest operator in the world. We have attracted top talented people from a very competitive market, and we've transformed Darlington into a global industry leader, which was recognized as one of the best operators in the world for the second time in a row.

Pickering Nuclear recently had its best-ever peer evaluation, and the effective response by its operators last week is a testament to their knowledge and professionalism.

We worked closely with our site communities to make sure people are informed and engaged in our operations. We maintained their trust, along with the regulator's trust, after the nuclear accident in Japan.

Relations with First Nations and Métis groups saw a painful history give way to development partnerships.

We safely delivered North America's largest climate initiative by closing our coal stations. And in 2011, we launched a complete restructuring to ensure we continued to be Ontario's low-cost energy generator.

As our Chair has mentioned, we're proud to help moderate the price of electricity for ratepayers, and we want to keep that role. Our business transformation has been tough slogging, but effective. To date, we've implemented a new organizational model with fewer managers, streamlined our service delivery and improved our processes. Our total target savings, as mentioned, is \$1 billion and 2,300 fewer employees.

A government-commissioned review by KPMG conducted in 2012 indicated our transformation plan was very sound. By achieving these reductions in a careful, measured way, and largely through attrition, we are ensuring our focus on safety and performance remains sharp.

But we know there is more to transforming a business than reorganizing and downsizing. The mindset must change; the culture must change. Although we have made progress, the transformation of our culture as caretakers of public funds needed to move further. OPG's company-

wide transformation set the foundation for this change, and the Auditor General's recommendations provided a reminder that we still had a lot of work to do.

Our goal is a culture where small expenditures are contemplated with the same care as money spent on large things. I'm pleased to say OPG employees across the company are embracing this notion. Through an internal campaign called the Nickel Challenge, we have mobilized employee creativity and innovation to identify additional cost-saving initiatives. Most importantly, we started a conversation and a questioning attitude that has taken hold at all levels of the company.

Now I would like to quickly highlight some of the key actions. The staff levels: As a result of our multi-year business transformation to date, which includes 120 key initiatives to cut labour costs, we've reduced staff levels by over 2,000 and have saved roughly \$500 million. We're managing attrition carefully to ensure we have the right people in the right positions to meet our needs. We have reduced our senior management head count by 11% since 2013, and eliminated 22 senior management positions. We expect further reductions to continue as attrition occurs.

Nuclear staffing levels: Each year, we benchmark our nuclear staff numbers against others in the industry. We use the results as input for our business planning and make adjustments. We decreased our head count from 17% over benchmark in February 2012 to 4% over as of March 2014. At the same time, we've maintained the highest safety standards.

Strengthening and improving our recruitment process has been a big area of focus. This includes centralizing the recruitment function to improve efficiency, controls and documentation, in terms of compliance with hiring processes. We've embedded clear expectations for hiring in our code of conduct, with rules supported by discipline. While the majority of our hiring involves two or more interviewers, we are developing an implementation plan to implement hiring panels by the second quarter of 2015.

With respect to security, I am pleased to report that reviews by both the Canadian Nuclear Safety Commission and CSIS confirm OPG has an industry-leading nuclear security clearance program. We've ensured all employees requiring access to nuclear sites or sensitive nuclear information have the appropriate clearance, and all of our non-nuclear employees have been assessed for appropriate clearance levels. As part of a continuous improvement initiative, we implemented an automated enhanced monitoring tool for compliance.

In terms of pensions and benefits, OPG has been looking at options to ensure the financial sustainability of our pensions and benefits for a number of years. Earlier this year, our board approved phasing in pension reforms for management employees, including increasing contributions to 50-50.

OPG has frozen compensation for all senior management and complied with all government wage constraints going back to 2009. Total management base salary costs are down by 11% since 2010.



To supplement the board's review that Bernard mentioned, we retained independent advisers—that's Towers Watson—to examine our management compensation plans. Both concluded OPG's overall compensation principles are sound; however, improvements could be made via segmentation, which means looking at three groups: nuclear, utilities and corporate/administration.

Just a reminder that 90% of our employees are unionized, so we've made progress with management and now we are about to enter into new collective bargaining with both of our unions in 2015.

The other thing that we've done is, we have created stronger links between performance and awards; I would call that a direct line of sight between the boardroom and the control room. The aim is to build more accountability for measurable results directly tied to pay-at-risk compensation.

We've also strengthened our succession planning and knowledge transfer for critical roles. We've implemented rules for rehiring former OPG employees.

We've introduced a number of things to better manage contractor's hours, including audits. And we've also implemented caps, and enhanced approvals and controls on overtime in nuclear, which has the most overtime. As a result, in September 2014, it was 56% less than one year ago.

Again, thank you for the opportunity to give you a summary. We stand ready to answer questions.

**The Chair (Mr. Ernie Hardeman):** Thank you very much for your presentation—just a tad under your 20 minutes, so very well done.

We go to the third party. Mr. Tabuns?

**Mr. Peter Tabuns:** Good afternoon. It's good to have all of you here. I have to say, before I ask you a question, I would have been very happy, Chair, if we had the same process of review of Bruce Power and the ability to look into that operation and identify questions that would be of interest to Ontarians. So I appreciate that a publicly owned utility is actually here, and that we can look through the organization and hold people to account.

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You're aware of the recommendations by the Auditor General and her findings. One of the findings that she brought to our attention as a background challenge is that you're going to see a continuous drop in demand, that you're going to be losing the Pickering plant at some point. She estimated that you may be reducing your total workforce by about 50%. Is that in line with your understanding, and can you give us a sense of the timeline and mechanisms?

**Mr. Tom Mitchell:** Mr. Tabuns, yes. In relation to the Pickering Nuclear station, as I think you're aware, there is a timeline to close that operation. That will start in earnest near the end of this decade. The number of staff associated with that operation, when you include not just the people directly at the plant but the support staff, does range in the 3,500- to 4,000-person range, so that's a very significant reduction. I would tell you that we do have some experience with this, in terms of we did success-

fully close the coal-fired generation plants, but this is obviously a situation of a much larger magnitude.

**Mr. Peter Tabuns:** Yes.

**Mr. Tom Mitchell:** So our approach in this has been to be very careful and methodical, because obviously, as we go through these changes, we want to make sure that safety and reliability are top of mind.

I'll turn this over to Barb in just a second, but what I wanted to let you know is that what we've done is that we've put together an internal team to look at all of the different dimensions of this, including staffing levels and critical staff. There's been a lot of analysis and work done so that we understand the challenge in front of us.

I think we really want to make sure as we go through this that we approach this in a very fair and straightforward process. There are opportunities to look at re-training and redeployment. Maybe I could just have Barb—just as a more general view of how we're managing retention and selection, because in the type of complex business that we run, having the right people for the right job is absolutely essential.

**Mr. Peter Tabuns:** Yes, absolutely.

**Ms. Barb Keenan:** Thank you very much for the question. Obviously it's a topic, with the size of the impact on the organization that we have never seen before. We have learned a lot of lessons through coal closure, as Tom mentioned, and I might say that we also have a lot of transferrable lessons from the business transformation process we're also going through.

Given our demographic profile, and I think we have a lot of experience in terms of workforce modelling, we've been doing a lot of work to determine, by critical job family—whether it be operations, maintenance, any of the key job families, licensed operators, in particular—what we need and what we require as we wind down to the 2020 time frame. As we look at those, we look at different strategies to try to minimize the impact in terms of a business context, but obviously in terms of an employee perspective as well.

We have already engaged in some education discussions and open discussions with our represented organizations, both the Society of Energy Professionals and the Power Workers' Union, to dialogue on, I would say, some creative solutions for how we might handle this situation. It will be a focus of bargaining, I would say, as we move into 2015, because both of our contracts end during that time frame.

More specifically, as I think Tom alluded to, there's no cookie-cutter solution for this situation, so we are very much looking at it on a job-family basis as we look at our demographics over time, because we have a highly tenured workforce. The average age of our workforce right now is roughly 47, with 16 years of service. Right now, roughly 20% of our population is eligible for retirement as we speak, with roughly 40% of senior management being eligible. So there is a significant opportunity, if we handle this correctly over the course of the next five or six years, to leverage that attrition so that it is less impactful over time.



So as we look at opportunities and solutions, we think there are opportunities to discuss with our represented partners different staff categories that may allow us to have longer-term temporary roles versus hiring regular employees. Obviously, as Tom pointed out, safety and reliability of the system is paramount. So when it comes to licensed operators, which we're required to have a certain complement of to meet CNSC regulations, we will ensure that those individuals—that we find a way to retain them until the operation is safely closed.

What I would say is that a lot of thought has gone into this. There's no one-size-fits-all solution. We need to very much engage our labour partners to come up with something that will work for all parties, as well as engage the community, because they're a big stakeholder in this process as well, as it is a major employer in the area.

**Mr. Peter Tabuns:** Okay. I think you've addressed that question.

I want to go to the deputy minister. Mr. Imbrogno, you've told us that you have a team that is monitoring what's going on in OPG. You're satisfied with the direction they're taking and the actions they've taken. Can you tell me what the major benchmarks are that you've been relying on to indicate that things are going the way they need to go?

**Mr. Serge Imbrogno:** When we received the auditor's report, the minister asked the Ministry of Finance internal audit division to go into OPG and work with OPG to set out what the auditor expects in terms of response. The internal audit division worked with OPG to outline kind of the terms of reference of how to respond to the auditor and what kind of work would be expected.

I think internal audit went in and they were imbedded in OPG for a while. They would also do spot audits to make sure that they felt whatever OPG was reporting was accurate as well. That was our main, I guess, tool that we used to ensure that OPG was on track.

Ultimately, it will be the auditor's judgement, when she goes back to review OPG's findings, but we felt, with the experience of the internal audit division, that they could help OPG and also report in to the minister on a regular basis that things are tracking.

**Mr. Peter Tabuns:** So your people are saying that the information you're getting from OPG is accurate and reflects what's really happening?

**Mr. Serge Imbrogno:** It's accurate and they're moving forward. There's still more work to be done. We're not saying that OPG has met all the recommendations set out by the auditor, but they're tracking, and some will take more time to implement than others.

**Mr. Peter Tabuns:** Okay.

**Mr. Bernard Lord:** Can I just add something?

**Mr. Peter Tabuns:** Go ahead, Mr. Lord.

**Mr. Bernard Lord:** I just want to add as well that the minister and the department have asked us to report directly to the minister on a regular basis, which we have done. I attend—and Tom and Barb—we go and answer questions to make sure that we can provide all the

accountability that is necessary to the government, to our shareholders and ultimately to the people of Ontario.

**Mr. Tom Mitchell:** I would just like to add as well that, as Bernard mentioned in his opening comments, there's a compensation and human resources committee of the board, which is specifically mandated by the full board to monitor this. So we report at every single board meeting to that committee an update of our progress and get challenged and questioned by that committee.

**Mr. Peter Tabuns:** Okay. The next question—maybe, Mr. Mitchell, you're the best to address this: 66% of OPG's operating costs are human resource related. How much of the total cost of electricity that you sell is human resource related?

**Mr. Tom Mitchell:** Well, I think the total cost of our electricity would be very much driven by the labour costs. What we find is that there is a bit of segmentation, Mr. Tabuns, in that, in the sense that the staffing levels for hydroelectric are smaller and the fuel costs are lower. So part of the staffing numbers is driven by the size and complexity of our nuclear program. But, yes, I would say, in general, if you look at the cost that goes to the ratepayers, much of it is driven by human resource issues.

That is why, quite frankly, when I took this job in 2009 and looked at the trends in terms of increasing costs and increasing staffing, myself and the team realized that we needed to change that trend. So what we did is we benchmarked other multi-generating-fuel type companies in North America. It was important to do North America, because what we did need is to have companies that have different mixes of generation. With, I might add, minimal use of any contractors or external people, mostly just providing us information, and the team working on it, we looked at how to best restructure the company.

1300

I could tell you that that's been very successful. I think one of the reasons, and it's part of this cultural change I referenced—what we did is, we took 90 middle-level managers. I sat down with them and I said, "Design the company you want to run when you're in these roles." And that's what they did: They sat down and they took all of this benchmarking information and they said, "This is how we should restructure this company." It's called a centre-led model, where we have central standards, which is part of what we've implemented as part of the Auditor General's report, to centralize the requirements, but we have a distributed staff. The staff, many of them, are still located at the facilities, at the sharp end, where they're needed to help support the work.

That whole process, I think, has been very effective from a change management point of view and driving the changes that you've seen. I'm very proud of the ability of this company, this team, with the support of our board and with the support of our shareholder, to reduce the overall staffing in the company by 20%.

The other thing I would also like to say on this—I think it's important because we talk about safety—I just want to let everyone know that safety is in the DNA of



this company. The focus in that staff reduction was not on people in the workforce; it was on support staff. Now, I'm not trying to make any comments about the value of support staff; it's very important to have very good support staff. But where we really tried to focus this effort was on improving the service delivery model inside of the company to be able to support the line and safely, reliably, effectively and efficiently operating the plant with fewer support staff.

One of the things I mentioned is that we've done some things that have never been done in our company. I just wanted Barb to quickly mention the call centre as just an example. We now have a call centre.

**Mr. Peter Tabuns:** I would actually appreciate it if you didn't go to that because I have a different question.

**Mr. Tom Mitchell:** I'm sorry. Certainly. Please, go ahead.

**Mr. Peter Tabuns:** You've satisfied that question.

Outsourcing of IT services: How critical are these IT services to OPG?

**Mr. Tom Mitchell:** I think what I would tell you is that, as in any modern corporation, information technology is very critical. What we've been doing in OPG is looking at how to become more efficient and effective in terms of our needs and how to best service those needs.

As part of business transformation, for example, we've gone from two enterprise systems to one, and that's dramatically reduced the amount of maintenance and other things that we need to do on the system. Many of those things are just being implemented, quite frankly, as we speak.

What we have found is that there are many competent providers of information technology services. I think what I would tell you is that OPG's information needs are—I hate to say this—pretty mundane, in the sense that there's nothing new and innovative, particularly for what's needed in terms of new delivery platforms or things like that. It's stable, and what we've been really focusing on is making sure that we have the right amount of work and then looking for a provider that can give us that technology.

**Ms. Barb Keenan:** If I might add to that, Mr. Tabuns, just so it's clear to all the members of the committee, our IT had been outsourced for the 10 years prior to the renewal of the agreement, and during that 10-year period part of the requirement was improvement in service delivery and improvement to the 99th percentile on our key systems, so there were very important metrics built into our contract with our provider in order to ensure the reliability to us as a customer, and they have met those targets.

**Mr. Peter Tabuns:** And I'm assuming that your IT security needs are pretty substantial?

**Mr. Tom Mitchell:** Yes. I would say that that is probably the one area that has, in terms of merging, issues, around cyber security. We've done extensive investigations of that. It's one of the reasons why I, quite frankly, am not enamoured with the cloud. I like to know where my data is.

**Mr. Peter Tabuns:** I'm in the same frame of mind.

**Mr. Tom Mitchell:** Then I can actually tell you where it is. But if I'd rather not, in the sense of—we always want to share with the committee, but I can tell you it's local and we know where it is.

The other thing I can tell you is, just in terms of cyber security, there are a lot of new requirements associated with that. Quite frankly, that has been the area where we've made some increased investments. The key thing for us, quite frankly, is separation, where we basically have physical separation between the outside world and anything that controls any of our plant's process systems.

**Mr. Peter Tabuns:** What would it take to bring the IT back in-house?

**Mr. Tom Mitchell:** Well, it would be, I think, in our view, a business decision: What would be the least-cost option that provides the service levels? We have done business cases—more than once, as I recall—looking at the various options. Quite frankly, so far, all the indications are that the outsourcing model is the correct answer from a business point of view, sir.

**Mr. Peter Tabuns:** Does it not pose security problems if your outsourcing of IT leads to your IT needs being met on the other side of the world?

**Ms. Barb Keenan:** All of our IT needs are being met, actually, within the province of Ontario right now. That is one of the issues that we deal with with our service providers, so nothing has gone across the pond.

**Mr. Peter Tabuns:** No, I understand nothing has gone so far. There have been discussions about that in the past.

So, for you, it's critical that it remain in Ontario, serviced by people who are resident here?

**Mr. Tom Mitchell:** Correct. We believe that it's best if it's Ontario-based and the data remains local.

**Mr. Peter Tabuns:** And do you have highly specialized IT functions around dealing with disruptions in service?

**Mr. Tom Mitchell:** Yes. Well, we have disaster recovery plans. We have backup systems. Yes, we have a full suite of those, and they're routinely tested. And, yes, we have very competent IT professionals who manage the operation of the system.

I will say that part of the IT service provider does provide some of the additional work when we want to modify a system or change it, because actually, it's those external resources that are more competent in the detail processes in terms of making software changes and the controls associated with that. Our internal resources are more focused on day-to-day operation.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes the 20 minutes. To the government side: Mr. Potts.

**Mr. Arthur Potts:** Thank you, Mr. Chair, and thank you all for being here. This is a tremendous honour to be here and have an opportunity to review where we are now since the auditor's report.

I'm new to this game here, obviously. Coming in here, I wasn't sure when this was all happening, and I said to Mr. Tabuns earlier today—who happens to be my mem-



ber in Toronto—Danforth—“You’ve been here, Peter. How could you let this happen?” And, of course, I mean it facetiously, I’m not holding him in any way responsible, but—

**Mr. Peter Tabuns:** I did my best.

**Mr. Arthur Potts:** I’m hearing that very clearly.

But what I am sensing is the incredible value of this committee, that we have a chance to drill down into government agencies and government boards and such to get a better sense—and the AG’s work on this thing.

Mr. Tabuns referenced Bruce Power, and we may have a difference of opinion as to what extent some of this needs to be in public and in private hands. I like the mix. I think it’s important. So my first question to you is, what is your relationship with Bruce Power from the perspective of personnel and human resources compensation levels, and are you benchmarking against what they’re doing within their profit structure?

1310

**Mr. Tom Mitchell:** Maybe I’ll take the lead, but for the details, I’d like Barb to elucidate.

Let me be very clear about something in terms of our relationship with Bruce Power. I think our relationship with Bruce Power is very sound and very professional. We have, I think, the same focus on safety. I would never try to speak for Duncan Hawthorne, but I think, if he was here, he and I would agree that we do not compete on safety. In fact, what we do is we share a common approach, because safety is number one in the nuclear industry.

Having said that, they are a separate organization and have a separate team. I can tell you that relationships, at the working level, are very strong and that we share best practices, we share resources and we share common approaches.

What I’ll also say is, quite frankly, we feel we probably have been a bit more aggressive at looking at labour costs and achieving, I’d say, a different level of results on the plus side.

Perhaps, Barb, you could talk about the relative numbers, particularly with the represented staff.

**Ms. Barb Keenan:** Certainly, yes. Thank you, Mr. Potts. From a collective agreement perspective, just for some background, the collective agreements that Bruce Power acquired when they did take over that particular plant did stem from us under successor rights, so they took on those agreements. Since that time, obviously, they’ve bargained with the power workers and the society, as we do.

When you look at both of our organizations, what you will see is, over time, actually, from a power worker’s perspective—if you look on average at the salaries of power worker professionals at Bruce Power, there is roughly a 14% differential in terms of the salaries at Bruce Power versus ourselves.

**Mr. Tom Mitchell:** Higher.

**Ms. Barb Keenan:** Yes. That is higher at Bruce Power. Now, obviously, that doesn’t take into account all of the things associated with collective bargaining, but if

you’re strictly looking at it on a wage basis, the society is a little closer in terms of its parallel in terms of the wage levels.

But in any case, when we are in bargaining with either of the unions—in the case of the society, we do have our mediation arbitration as the form of dispute resolution. In that case, if we are not able to reach a two-party settlement, what an arbitrator will look at mainly is relativity to other large-scale utilities with similar unions, and in our case Bruce Power is the main comparator, as is Hydro One, but more so Bruce Power, because of the nuclear composition.

In the case of the power workers, we do have the strike lockout, as do they. But, for both parties, when you go into bargaining with them, clearly the main comparator that is referenced is Bruce Power, our neighbour to the north.

**Mr. Arthur Potts:** Great. I was thinking more in terms of executive compensation and senior management compensation outside of the unionized sector. Obviously, that is a far more public process; we can see a copy of a collective agreement. I was thinking more in terms of their executive compensation compared to yours. Maybe we could speak to that a bit.

**Mr. Tom Mitchell:** Mr. Potts, we’ll attempt to answer your question in the sense of, as far as we know, their executive compensation is not revealed publicly. They don’t have the same type of reporting requirements that we do.

I think what I can tell you, though, is that we have done an extensive amount of benchmarking of our executive and management compensation structures and believe that we pay at or below market and, actually, that deviation below market tends to increase as you get higher. I wouldn’t want to speculate on others’ compensation, but what I can tell you is that I believe that we would compare favourably.

**Mr. Arthur Potts:** I guess it goes to benchmarking and how you benchmark. It’s my understanding that we didn’t have really solid benchmarking on staffing complements up until 2011 and further, and certainly any complements that the Auditor General has identified and where you’re above and where you’re below—you have accepted those benchmarking criteria parameters. You’re working within that, so you would agree with findings. And as you said earlier, you’ve made significant headway in getting the overstaffed positions down and bringing some of the understaffed positions up.

**Mr. Tom Mitchell:** Correct. The other thing I would also tell you about benchmarking is that what we’ve found is that you do have to update those benchmarks, Mr. Potts, about every two or three years, because they actually change. So it’s very important that you update, because issues come up in the industry or different approaches need to be taken.

As you point out, in some areas we are significantly under. That’s because of a lot of the innovative things that we’ve done in the company and in the industry to achieve that. I can tell you, there are no safety concerns associated with that.



In the areas that we're over, what we've been doing is—as I pointed out in my remarks, we are on a steady trend to get to the benchmark. The way we do that is, when we do these benchmarks, we look at the delta and then we build right into our business plans what the specific actions are that we're going to take. So this isn't some kind of general—what are the specific things that we're going to do as part of that business plan? What I would say is that we've tracked in the right direction, and then we do another shoot of the chalk line, if you will, and we see where we are, and then we build that into the next plan.

The reason why I say that's important, again, just for everyone, is that once we get to the benchmark, what we may find out is that the industry got better. That's why you can't relax. Three years from now, we may shoot that benchmark again and find out that there's been a shift.

**Mr. Arthur Potts:** I appreciate that.

One of the big issues as a government is that when people in Tim Hortons see highly-paid senior executives expensing coffees, we hear about it. When they see highly-paid executives receiving large compensations, incentive plan-type compensations, and there is not a clear rationale for why, we hear about it, and we wear that as the stakeholders on a regular basis. I know you've addressed the incentive plan in some detail. Can you give us a better sense of where that's headed, what the criteria are and how you're doing incentive payments within the structure?

**Mr. Tom Mitchell:** Maybe I can talk about where I see it from the management perspective, and then maybe Mr. Lord would comment more on the board's perspective, because the board is a key driver in this.

What we have are very specific metric-driven performance results. There is a little bit of discretion, but it's mostly numbers. Maybe just to give everyone a sense of how this works, there's a long-term energy plan. That clearly outlines what we are supposed to deliver. That long-term energy plan gets translated into a business plan. That business plan then has a number of specific projects and performance results—quite frankly, numbers: safety, financial—that are implicit in it.

What we do is we build what's called a balanced scorecard. The reason for a balanced scorecard is what you don't want to do is incent people to have too much focus on production over safety. If you looked at our scorecard, it would have safety, it would have financial metrics for cost performance, it would have reliability, and then projects. What we do is we have very specific targets.

What we've done in response to the Auditor General's recommendations is simplified that. We had, I would say, a structure that was a bit complicated in how we delivered that in terms of having overall corporate metrics as well as fleet metrics and then individual, so we've taken the fleet out. So we have a corporate set of metrics and then individual.

The other thing that we've done, again, to drive this clear message from the boardroom to the control room—

literally, if I took you to Darlington today, outside of the main control room on the wall is a set of performance metrics by crew, by each of the crews. Those performance metrics roll up at Darlington to the Darlington scorecard, which rolls up to the nuclear scorecard, which rolls up to the OPG scorecard, which the board and this gentleman hold me accountable to deliver. There's a direct line of sight.

**1320**

The recommendations that were made about making sure that those objectives are smart—which is simple, measurable, achievable—I think we've taken that to heart. In particular, we've tried to simplify it so that there's more of that direct, crisp line of sight.

Bernard, I don't know if you wanted to add anything.

**Mr. Bernard Lord:** Yes, I'd be happy to add a few comments on this. Obviously, compensation for senior executives is a key function of our board. One of the main roles that we have as a board is to make sure that we hire the right people, pay them fair wages and make sure that they deliver.

We understand, as a board, that we have to answer to our shareholders. We also understand—and believe me, I understand this very well—in this context our shareholder also has millions of other shareholders.

That's why, as was mentioned earlier, this committee is so important. I want you to know I fully support the work that you're doing here. This is essential for the taxpayers and the citizens of Ontario to understand what is happening, where their tax dollars go, how electricity rates are set and where they get the value and the benefit. It's our obligation to make sure that we can provide you, and all Ontarians, frankly, with the details and the information required to provide those answers.

When we look at the compensation of our senior executives, there are different models out there. The model that we have in place is a model where there is base pay and there's also pay for performance. We believe that is the best model. This is the model where we can secure the right people but at the same time provide compensation that reflects the performance that they deliver and the goals that they meet.

As you know, our goals come from the long-term energy plan, so as a board, we have to drive towards those goals. I told you earlier that our mission is to be the low-cost electricity generator of choice in Ontario, and we are. We are meeting that mission.

My job, as the chair of the board, is to make sure that we continue to meet that mission, and I make sure that Tom and everybody else in the senior management does that as well.

There is one thing I'd like to highlight, because we talked about the segmentation that we've been working on. We talked about the three different groups in segmentation. We talked about nuclear, utility and business administration.

Barb, maybe you could describe it better than I could, but I think it's important to note that not everybody who works at a nuclear station is part of the nuclear



segmentation. It depends on what they do at the utility. It depends on what they do at the station. That's what will determine whether or not they are considered nuclear or considered business administration.

That work is helping us reduce the cost of the workforce and better understand where the costs go. Ultimately, the role of all this is to make sure that we have an efficient company, so we can continue to be a low-cost producer and make sure that the people of Ontario benefit from lower-cost energy.

**Mr. Arthur Potts:** Thank you.

**The Chair (Mr. Ernie Hardeman):** Mr. Fraser?

**Mr. John Fraser:** I'd like to direct my question to Mr. Lord, and it's in relation to governance. But I'd first like to say that I do understand that you are, with your experience, in some way uniquely positioned to be able to understand this committee's relationship, the government's relationship. It is an unusual business relationship, because our shareholders aren't looking for revenue; they're looking to control their costs. That's the lens that we need to see things through, as one of their representatives, as well as the ministry being that as well.

I understand that the board has established a human resource compensation committee. I have a couple of questions along this line, but the first one is this: The first recommendation by the Auditor General is around security, and staffing levels in that regard. In terms of the board's response to that recommendation, is that part of the human resource compensation, or have you established a separate audit/compliance lens to look at that?

**Mr. Bernard Lord:** Through the work of our board, we have more than one committee.

**Mr. John Fraser:** Yes.

**Mr. Bernard Lord:** Each committee has responsibility for different aspects. Of course, security and risk management in any corporation—and this is not the only board that I sit on. In any organization you need to look at risk management. Of course, in an organization like ours, it's even more important. That's why we have a general risk committee, but we also have a nuclear oversight committee to look at the risk associated with that.

In compliance with, and making sure that we fully provide the answers to the Auditor General's recommendations and comply with them and move ahead with our plan, that task—and correct me if I'm wrong, Barb—has been designated to the human resource committee, but there are some functions from time to time that can be fulfilled by the other committees of the board.

Do you want to add anything to that?

**Ms. Barb Keenan:** The only thing I would add is, on an annual basis there is a fulsome talent update provided to the comp and human resource committee. In fact, because it has been so important, what we have been doing is doing an update every board meeting. There's also a semi-annual succession planning update that includes workforce planning that's provided both to the comp and HR committee, with a specific slice of that provided the nuclear operations committee of the board

on a semi-annual basis on a deep dive but also at every board meeting.

**Mr. John Fraser:** That's great. Just to go back, for instance, to the security clearance measures and what measures you've taken in terms of—and you did, Mr. Mitchell, describe them—on an ongoing basis to ensure continued success.

**Mr. Tom Mitchell:** What we've done is, as I stated in my remarks, we have confirmation from our regulators that we have a very sound program—in fact, described as industry-leading—and our focus then is to make sure that we're complying with that. We do have processes in place to make sure that that's occurring, and then one of what we're calling improvement items is actually an IT-based system that will help us in making sure that we dot the i's and cross the t's in that.

**Interjection:** Very, very important.

**Mr. John Fraser:** Yes. Thank you very much.

**The Chair (Mr. Ernie Hardeman):** Another question? Do you have a question?

*Interjections.*

**Mr. Lou Rinaldi:** No, it's okay. Carry on. We're done.

**The Chair (Mr. Ernie Hardeman):** Mr. Yakabuski.

**Mr. John Yakabuski:** Thank you very much, Mr. Chair, and thank you, Auditor, for being here today and allowing me to be part of this. I thank the folks from OPG and the deputy minister as well.

Tom, I was the energy critic when you came on with OPG back in 2009, so I don't know which one of us has been around too long. I did get a respite, but they brought me back; I have no idea why, but I'm glad to be here today. I appreciate the invitation as well and I will be speaking to your folks to do a tour of the training centre for the Darlington refurb. I'm very interested in that. I've had the chance to visit a large number of your facilities over the years and I look forward to that as well.

On the subject of the day, which was the auditor's report—and you talked about some other things too, including pensions. I may get into them and I may not, but if I don't, my colleague will. On the Pickering site itself, for example—I mean, you were ordered to phase out of coal. That was a decision by the provincial government—ordered to phase out of coal—which I think you've done a masterful job of meeting that calendar requirement.

But at one time coal was producing, on average, about 25% of our power, and when I came here in 2003, probably on a capacity basis it was about 6,500 megawatts, approximately, I would think—and correct me if I'm wrong. I'm just trying to put that into perspective. You took 6,500 megawatts out of production. That's 6,500 megawatts that OPG is no longer contributing to our power system. It has been replaced by other generators, not OPG, other than of course our partners in some of the gas plants, like the Portlands project etc. But you're not contributing as much energy to the sector as you used to. Your percentage has gone down. That's going to change dramatically when we look at the Pickering shutdown as well.



But when I look at the number of employees versus the reduction in production—oh, I’m a poet now, too: “reduction in production”—I don’t see that it completely correlates. I understand the complexities. I was in business, running a retail business, and while I’m not going to say it was simple, I’m sure it was much more simple than running a utility like you are talking about, because I could put the “open” sign up or I could flip it and it said, “Sorry; we’re closed.” I know you can’t do that. It’s not as simple with a power plant. It’s certainly not going to be that simple with your nuclear power plants.

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But I think what people are looking for is a correlation between the number of employees at OPG and the amount of power that you’re contributing, or at least the percentage of power that you’re contributing to the system vis-à-vis where you were before those changes.

Just for the record, how many units are operating at Pickering today, or are operational today at Pickering? How many units are operational at Pickering today?

**Mr. Tom Mitchell:** Six.

**Mr. John Yakabuski:** Six. Six of eight?

**Mr. Tom Mitchell:** Six of eight; that’s correct.

**Mr. John Yakabuski:** Six of eight. And how many will be taken out of operation around 2020?

**Mr. Tom Mitchell:** Six.

**Mr. John Yakabuski:** All six?

**Mr. Tom Mitchell:** All six.

**Mr. John Yakabuski:** So there will be no more nuclear production from Pickering in approximately 2020, or they’ll be phasing them out. So that’s—

**Mr. Tom Mitchell:** I would say, just as a quick—we’ll obviously look at how the long-term energy plan evolves, but that is the current plan.

**Mr. John Yakabuski:** Right. They change quite frequently here, but that’s got nothing to do with you, Tom. You just have to take the orders.

So approximately 3,000 more megawatts of energy are going out of the system from OPG.

**Mr. Tom Mitchell:** Correct.

**Mr. John Yakabuski:** So you’ll be left with Darlington and your hydraulic fleet, and the gas fleet and biomass that you are either singular or partnered with. So you’re talking about, according to this, at the time of the auditor’s report, about 11,000 employees? What’s the employee number at OPG today?

**Ms. Barb Keenan:** It’s 9,700.

**Mr. Tom Mitchell:** It’s 9,700.

**Mr. John Yakabuski:** It’s 9,700? So about 1,400 less. I think it was about 11,100 or so.

**Mr. Tom Mitchell:** I think the actual number that we’re down now is about 2,000 or 2,100.

**Mr. John Yakabuski:** So a significant drop from the time of this report.

**Mr. Tom Mitchell:** Yes.

**Mr. John Yakabuski:** I congratulate you on that. I guess my question is: Where do you expect the number of employees of OPG to be in 2020?

**Mr. Tom Mitchell:** What I would say in terms of the current plan and what we have in front of us is that we would be a significantly smaller organization after that. One thing I do want to be careful of here is that, when we cease operations at Pickering, it does not mean that we are done. We have a significant amount of work to do what we describe as to “safe-store” the units. They need to be defueled, dewatered and put into a safe condition. There are significant resources associated with that, at least for some period of time. That’s part of this planning process that was referred to earlier: trying to map out all of that.

I would say that we will be probably roughly half of where we are today, just in broad terms. In terms of some of the benchmarking that we’ve talked about, I tend to talk about energy, Mr. Yakabuski, not necessarily capacity, but when we were in coal production we were at about 105 terawatts a year, and now we’re generating about 85 terawatts a year.

On the good side on that ledger is that we’re bringing online the Lower Mattagami project, which is 500 megawatts. It’s that project I referred to. By the way, one of the very exciting things about that is that we’re bringing on this new capacity in our hydro fleet with very few additional staff, because we already have a presence, so it’s really like adding generation to existing assets. It’s quite efficient in that respect.

There are some things, I would say, on the uptick side on that, but what we will do is that we will make sure that our staff correlates with the work going forward.

**Mr. John Yakabuski:** Good, good, because the reality is—and Mr. Potts alluded to it—that we talk to people in the coffee shops and on the street, and, rightly or wrongly—that’s not my judgment to make—some of them will make comments about “the job that’s cash for life” and whatever. “How many people are lucky enough to get a job with”—they still call it Ontario Hydro. That’s just the way it is.

I recognize that, but I think I’m always pretty reasonable in my response to those comments. But at the same time, we cannot deny that those interactions with constituents exist.

I want to talk a little bit about the executive compensation side of it, which, in the auditor’s report, clearly showed that even while there was a reduction of overall employees, there was an increase in the number of people at the executive level. Also in the report, it showed that from 2010, the 50 highest earners were averaging about an 11% increase in their earnings in 2011.

I know that Mr. Lord explained a little bit about how you operate the incentive program, but those same people on the street are of the opinion that if someone is doing their job, they’re earning their pay. If someone is being incented or being paid significantly more than that level, then they must be doing something extraordinary. I think it’s reasonable on the part of the average person to understand that, because they go to work, they do what they believe is a good job, they work hard for their employer, whether it’s private or public sector, and they get paid. They would expect the same in any other organization.



I would be interested in hearing a little bit more about how you arrive at those numbers so that those increases happen in that way.

The other thing that happened was a lot of people were receiving—part of that number was promotions. I've seen this happen primarily in public sector situations—I've seen it in this government, I've seen it in the military, I've seen it in others—where someone is nearing retirement time, and voilà, they're in receipt of promotions just in time to have impact on their pensionable years. I guess I would be asking, is that part of that consideration or practice, and how much impact is that having on the operational cost of the utility to satisfy that? Is it the golden handshake before the golden handshake sort of thing? If you could comment on that as well.

**Mr. Tom Mitchell:** Thank you, Mr. Yakabuski. There are a number of issues in there, and so if I miss one—

**Mr. John Yakabuski:** I should get you notes.

**Mr. Tom Mitchell:** —you can maybe remind me.

First off, let me say that the significant reduction that we've achieved in the company size, which, I would offer, is a very large reduction for a publicly owned operation—

**Mr. John Yakabuski:** I'm impressed.

**Mr. Tom Mitchell:** —was done with attrition, and we had very favourable demographics. The significance of that is that other than some specific staff directly associated with coal plant operations, it was done without any packages. So I don't view their being golden handshakes or anything along those lines, to use that term.

What we saw as we went through this change was that various populations moved at different times based on that attrition profile. We did have a bit of a delay in the turn on the management side relative to others, but I would say that now it's tracking.

What we're undertaking right now, and it's mentioned in our response, is we are doing a study to look at the size of our executive team and management team relative to a company of the size and workload that we have to make sure that that is in tune. I think the initial results that we've seen from that is that where we are now is close to the right place, and when we establish what I'll call the target management structure relative to the size of the organization, we will set targets and meet any changes that are required.

To go back to your questions about compensation—and I know this question comes up often—all I can tell you is that I believe, in my almost 40 years of experience in the utility business, that pay for performance drives the right behaviours on management.

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**Mr. John Yakabuski:** You'll get no argument from me on that.

**Mr. Tom Mitchell:** But there is a caveat on that: It has to be a balanced scorecard, not one that's driven by production over other things. I believe that if you have the right metrics—and I can tell you that we go over these metrics every month with my senior team—what it

does is bring focus to those areas that are critical to delivering the results that you—the owners of our company and people of Ontario—want. I guess all I can tell you is that in my experience it does drive that correct behaviour and provides value. Certainly, if we didn't think it provided value, management would—

**Mr. John Yakabuski:** Change the policy.

**Mr. Tom Mitchell:** —change it.

The other thing I would say is that since I've had this job, we have done a significant amount of evolution on this, some prior to the Auditor General's comments and much since. Again, we're trying to drive that line of sight from the boardroom to the control room. Quite frankly, I'd like to drive that line of sight to the shop floor. That's probably the next vista, sir.

**Mr. John Yakabuski:** Maybe we'll get there in my next questions.

**Mr. Tom Mitchell:** Is there anything that you would like to add, Bernard?

**Mr. Bernard Lord:** If you allow me, I'll be—

**Mr. John Yakabuski:** Be brief, yes.

**Mr. Bernard Lord:** I know you want to ask other questions, and I understand the timing. I've been in this forum so many times. I appreciate it. I don't want to take your time.

I just want to reinforce, from the board's perspective, and certainly from my perspective as chair, that it is important to drive the right behaviour, as senior management, so we can get the right results we need to continue to be the low-cost producer for Ontarians. That's my goal.

**Mr. John Yakabuski:** We expect and hope you continue to do exactly that, because I think that's important for a publicly owned utility.

Tom, I think you talked about one of the next challenges, opportunities—whatever—ahead of you is the collective bargaining process with the unionized staff at OPG, which is a significant 90% of your employees, as you said. You're going into negotiations with the Power Workers' Union and the Society of Energy Professionals, which makes up mostly all of those people. Clearly, through attrition you've been able to meet many of the goals you hope to—I'm not sure if you've met the goals, but you've done very well at a reduction of 2,100 employees. I think it's impressive, and anyone would have to accept that.

I think the next few years are going to be a little more difficult. The first reduction is always easiest, from the point of view of reaching a numerical goal. After that—although Barbara did talk about the age of your staff, which, from the point of view of lowering that number, is probably a positive thing—there will be other obligations involved. I'm going to let my colleague talk about those later.

The negotiations with the two main unions: Give me some idea of how aware they are that these are things that are going to have to happen at OPG, also recognizing—and I will touch a little bit on it—that part of the negotiations over the years has been a very, very generous



pension system. What most people argue—we even hear it from people working here in the Ministry of Energy—is that they all envy the benefit package that people have at our publicly owned utilities such as Hydro One and OPG; one that carries on in perpetuity. I know all kinds of people who are retirees, and they are very, very well taken care of, from a health benefits point of view.

If we're going to get a good handle on the ability to run this utility, and as Mr. Lord says, keep it our low-cost power producer, there are going to have to be changes.

I'm going to give you an example, and I'm only going as a recipient of third-party information. But a gentleman I know in Pembroke, his brother worked at one of the nuclear plants. The numbers—I'm only going to give you them; I don't know how accurate they are. But he retired making \$180,000, took his pension, and three months later was hired back at \$220,000 on a contractual basis. The average guy on the street is going to ask the question: How can that be? The guy is now collecting his pension and has gone back to work on a contract at a salary higher, because of course the contract wouldn't carry—all of the benefits are out of it, I guess; he's a contract worker, then, I guess, or he has just made a really good deal. But those kinds of things—and I realize there is talk in the auditor's report about people being hired back because you need to bring that expertise to train new people. How—

**The Chair (Mr. Ernie Hardeman):** If you want to give them a chance to answer, they've got a minute left.

**Mr. John Yakubuski:** How are we going to be able to maintain that kind of practice if we're trying to reduce and keep you as the low-cost generator?

My God, that clock goes quick. I think he's got a fast clock when I'm talking.

**Mr. Tom Mitchell:** I'm going to try to give you, in a very short period—the most simple and direct answer, Mr. Yakubuski, to your question is, management has to set the pace. The board of directors, after a lot of consultation with management last year, and I'll just talk about pension for a minute, said, "All employees are going to move to 50-50 contribution. We're going to look at retirement age. We're going to look at a number of factors." So what we've done is, we've given proper notice to management and we are now implementing a phase-in of that approach.

We realize, as management, we've got to step up to the plate and show leadership. I would say we have similar things that we're putting into place. Looking at benefit programs and those types of things, and the segmentation that has been mentioned in terms of compensation, is another thing where we've done the work, we've outlined what we're going to do in management, and we're putting that in place. The approach here is to be able to then demonstrate that management understands the need to step up and that what we need to do is work collectively, through collective bargaining.

The other thing I would also tell you is the business transformation—in particular there's this Nickel Challenge that I talked about—was an education process of what does drive the cost structure of the company.

**The Chair (Mr. Ernie Hardeman):** We'll hope the rest will fit in to the next question, and we'll go to Mr. Tabuns.

**Mr. Tom Mitchell:** I tried to answer your question.

**The Chair (Mr. Ernie Hardeman):** This round will be 18 minutes.

**Mr. Peter Tabuns:** Okay. Thank you, Chair.

I want to go back to a statement that was made earlier, and I think, Barbara, it was you who made it, that there were lessons that you learned from the coal phase-out in the management of human relations personnel. Can you tell us what those main lessons were?

**Ms. Barb Keenan:** I would say the main lessons were that we reached a decision at the outset of knowing coal closure was going to happen, and when we made the agreement with both unions at that time, it was based on what we knew at the time, obviously. But coal closure took a number of years to occur, so some of the factors changed during the course of those eight to 10 years. Had we to do it differently, we would look for a lot more flexible solution so we weren't locked in from the beginning to a solution.

I think I would say things evolve, and you have to make sure that you leave yourself flexible opportunities to change the way you deal with things.

**Mr. Peter Tabuns:** Where were you locked in and what flexibility would you have looked for had you known how things were playing out?

**Ms. Barb Keenan:** That's a really great question, Mr. Tabuns. What we locked into early is the severance arrangements for individuals who would be exiting the organization. If you think about the approach we're trying to take with Pickering end of commercial operations, what we're trying to do is establish some very flexible options of how to deal with it and deal with it far ahead of time to get ahead of the curve, rather than dealing with it at the time of the closure. That's another lesson we learned.

**Mr. Peter Tabuns:** I need you to be a bit more specific. Are you saying—and I'll give you an example. You look at a workforce of 1,000 people. You look at different options for redeploying them so that you aren't paying large severance packages. You look at the whole of the organization from the beginning, with the idea that you will move people around the board so that they can continue working—they don't have to be let go—but also so that you don't, or we don't, carry a severance package. Do I understand you correctly?

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**Ms. Barb Keenan:** Yes, but I want to clarify—

**Mr. Peter Tabuns:** Yes, please.

**Ms. Barb Keenan:** In the case of coal closure, we did strongly leverage the opportunity to redeploy staff throughout the organization. In fact, that was a key point in our agreement. Our first preference is always redeploying and retraining people if there are other opportunities to appropriately employ them.

**Mr. Tom Mitchell:** Maybe I could just add to that—

**Mr. Peter Tabuns:** Yes.



**Mr. Tom Mitchell:** —in the sense that what we're looking at is making sure that we take advantage of attrition and other opportunities.

What I would say is that it's very difficult, looking ahead, to accurately predict exactly what you're going to need to do. I think her comment about locking in would be—what we would rather have is a forum for discussion with our unions that says, "Moving forward as things evolve, this is where we're over and under; here are the redeployment opportunities," or perhaps retraining opportunities or whatever they are, so that we have a more measured landing.

The one thing that's different about Pickering, since we've had a discussion about it today, is that—just remember, as member Yakabuski has talked about, this is a lot of people. It's not feasible to be thinking about redeploying hundreds or thousands of people. That's a very different kettle of fish than coal closure.

**Mr. Peter Tabuns:** Okay. The second question I have relates to commentary by the Auditor General on staff training. She was concerned that the course completion rates for control room shift supervisors were below industry standard; and concerned that the nuclear operators weren't always as well trained as she thought they should be. You had some problems with the hydro and thermal staff training as well. What have you put in place to ensure that people are adequately trained?

**Mr. Tom Mitchell:** This is a responsibility of Ms. Keenan, so I'll let her describe this.

**Mr. Peter Tabuns:** That's fine.

**Ms. Barb Keenan:** Yes, absolutely. I'm very pleased to answer this question. In fact, the Auditor General's report raised a number of items that we actually had on the go, but also put a spotlight on some other areas we really had to focus on, so it was very helpful.

Once again, going back to the centre-led model, one of the things that we had under way is we put eight separate training organizations under one person, which allowed us to really make sure we were looking at consistency of training, trying to ensure that there was no duplication and we were streamlining efforts. That was step one.

Step two is we, did a significant amount of industry benchmarking to look at best practices both in the nuclear industry and in the hydro/thermal industry in terms of training. So if I could provide you with a couple of specific examples—

**Mr. Peter Tabuns:** Yes.

**Ms. Barb Keenan:** With reference to the nuclear training program, I wouldn't mind providing a little bit of good information. We had had the World Association of Nuclear Operators in to evaluate our training over the course of the last year. In fact, when they did audit our training program, there were no opportunities identified for improvement this year. That's because we had moved to put a lot of new things into place, including, when it came to the nuclear non-licensed training program, which is the feeder program, we're reducing the duration of that program from 36 months to 24 months, and increasing the throughput of that particular program from what was

below industry average—a percentage in the 60s—to a higher rate of 70%.

What we also looked at in terms of the licensed training program is once again reducing the duration of that program and doing more hands-on training in the plant, which has proved to be beneficial.

You mentioned the hydro/thermal organization. What we looked at there is really streamlining the training, looking at opportunities to ensure that we were not only looking at the frequency rate at which people were refreshing their qualifications, but doing a fulsome look at what qualifications were truly needed for each job classification—really, with a laser focus, pinpointing what requirements were needed and identifying that.

In terms of hydro/thermal attendance, which was something that the Auditor General definitely identified—that attendance was not adequate. We agree with them. In terms of the hydro/thermal management team—at their monthly management team meetings, they actually look now at attendance at that program. They had set a 3% requirement in terms of people who didn't make the program, cancelled out at the last minute. Right now, we're at 1.5%, and, in any of those cases, what we have to do is, the individuals have to identify why and go up to their managers so that it's a legitimate last-minute cancellation to the program.

Does that provide some useful—

**Mr. Tom Mitchell:** I just wanted to add, Mr. Tabuns, because we've talked about centre-led function—what does that mean? What that means is, we've gone from eight training organizations to one. We've gone from seven supply chains to one. So what we've done is much more efficient service delivery, much more consistency: centre standards and then delivery at the facilities to a common standard.

**Mr. Peter Tabuns:** To the deputy: Are you satisfied that the concerns identified by the AG around training have been addressed fully?

**Mr. Serge Imbrogo:** I think it's an evolution. I don't think OPG is saying that at this point they have addressed all of the auditor's concerns. I think we'll leave it up to the auditor when she reports back after reviewing OPG's progress. We're satisfied that they're making good progress. I don't want to say we agree that OPG has met all the conditions and recommendations of the auditor.

**Mr. Peter Tabuns:** Okay. One of the items that was surprising to me was the whole question of security clearance and the fact that there didn't seem to be any systematic approach to security clearance in the past. Can you explain why there wasn't and what has been done?

**Ms. Barb Keenan:** Sure. There was a process in place to ensure that clearances were in place—

**Mr. Peter Tabuns:** In the past.

**Ms. Barb Keenan:** In the past. However, it was a manual system. So one of the things that we have done is, we have implemented an automated system. As well as doing that, what we did is we went back to square one, because we thought it was warranted, certainly based on the Auditor General's findings. We have done a fulsome



review of all employees in the company to look at, for each one of those individuals, what's the security clearance level that's required in our organization? That would depend upon their business unit, their location, their level and their role. For every employee, we have that now. We did that assessment.

What can I tell you is: All employees in nuclear—their clearance is in place. For all of our board members, their security clearance is in place. For our non-nuclear employees, we have assessed what level of clearance they require, and the majority of them have them in place. If not, it is in progress.

There is a renewal period for our nuclear employees. On a five-year period, they have to get it redone. So we have put, as part of the automated system, that into the system so it triggers a notice to individuals and their supervisors to make sure that occurs. For all new hires, it's a requirement before they can actually be put into our system and be paid.

What we have done is, we've really tightened up the monitoring and the control system and framework around that.

**Mr. Peter Tabuns:** At this point, if the Auditor General went in, she would not find a situation even vaguely like what existed previously. Is that correct?

**Ms. Barb Keenan:** I believe that to be true. Yes, that's correct.

**Mr. Serge Imbrogno:** Mr. Tabuns, can I just—

**Mr. Peter Tabuns:** Yes, Mr. Imbrogno.

**Mr. Serge Imbrogno:** When we saw the draft of the auditor's report on the security issue, the minister was concerned; we were concerned. We did contact the CNSC directly and ask them, "These issues were raised. Can you just verify that OPG is following all of the protocols?" So we did receive confirmation at the time that OPG was, from the CNSC's view, following all of the protocols.

I think what my understanding was that at the actual site of the nuclear plants, the personnel all had their—everything was verified. It was more at head office, where some people were involved in the nuclear side but not directly.

I just wanted to make you aware that we were concerned with that, and we've taken direct action to make sure that they're in full compliance. But at no time did the CNSC raise any concerns with us that we were not in compliance.

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**Mr. Peter Tabuns:** So with regard to those who were working in the nuclear plants, everyone had their security clearance. Did everyone who was working on IT have their security clearances as well?

**Mr. Tom Mitchell:** Yes, to the best of our knowledge. In my view, Mr. Tabuns, the issue here was, there are approximately 7,000 people in the nuclear organization. In an organization that size, you have turnover. So I would say it's those people moving in and out or people in a supporting role. I wanted to make sure to clarify it. I can tell you that the Canadian Nuclear Safety Commis-

sion and CSIS are a very strong regulator, and if we were out of bounds, they would tell us right away. We believe we're in compliance. We do our own checks. I can give you assurance that we believe this is in hand.

**Mr. Peter Tabuns:** And the Auditor General will be coming back and doing a follow-up study?

**Mr. Tom Mitchell:** Yes.

**Mr. Peter Tabuns:** Okay.

Going to the next item for me, and that was a graph presented by the Auditor General showing staffing levels at the executive and senior management level; it's showing from 2005 to 2012 a very sharp growth. Now, I gather from 2011 you've been doing some reductions. Why did we have such a sharp growth in senior management and execs from 2005 to 2012? What drove that?

**Ms. Barb Keenan:** There were a couple of things that drove that. Thanks for the question. One was, we were having a significant focus on improving performance, so we did bring in more senior people at the plant level to provide that oversight. From a business transformation perspective, when we embarked on that in early 2011, one of the first things we did, actually, was populate the senior management level and then the next level down in order to drive the transformation.

One of the things we did as part of that was, we wanted to ensure we had the right behaviours and those people who were willing and wanted to drive the change that we were looking for, so when we populated some of those roles, we added a few positions. As Tom mentioned earlier, we were relying on attrition to have people leave the organization. In some cases, what that meant was that we did put individuals into more senior roles, and with other individuals, what we leveraged is, we had a number of key initiatives that we had to drive through that required additional senior oversight in order to ensure there was sustainable change, so to get some of the work out of the system and to leverage the economies of scale, which meant at the senior level we were introducing some additional senior people. Those people have since—as you can see from our numbers, actually, at the senior management level we have gone down by a further 11% since 2013. So you will see that attrition has taken place and those numbers have come out of the system.

One of the other things that did drive some of the changes is that we did have some significant projects that were under way at the time, whether it be Lower Mattagami or the Niagara tunnel, and refurbishment was coming online. All of those three key capital projects also required additional senior-level oversight. So it was a combination of factors and timing.

What you will see now, if you look at our numbers—we have a dashboard, and on a monthly basis we monitor those numbers. They are coming down. As I said, it's down by 11% since 2013. Any band—this won't mean anything to you. But anything from director and above—I was going to use "bands," and that would have been a foreign language—

**Mr. Peter Tabuns:** "Director and above" helps.



**Ms. Barb Keenan:** Any director-level positions and above do require Tom's approval in order to proceed. So also putting tightly monitored—

**Mr. Peter Tabuns:** So when do you expect to hit your 2005 level of senior management and executive positions?

**Ms. Barb Keenan:** If I look across at the graph we have in place right now, in 2005 we were at 205 people from the A to F levels. I'm pleased to report that currently we're at 195, so we're below that level now.

**Mr. Tom Mitchell:** If I just might elaborate, Mr. Tabuns, it was a temporary condition. I describe attrition as sort of like a symphony orchestra: As you attrit, you can end up with more violinists and tuba players than you need, because it's not a precise process. So there need to be some readjustments.

What we did with this additional staff we had that had not moved through the system yet—the business transformation required 120 initiatives to make it happen. There was real work to make this happen. For example, I've talked about going to a single enterprise IT system. There was work involved in that. What we did was deploy those people into those projects, and as those projects wound down, we followed the attrition curve.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. Now to Mr. Rinaldi.

**Mr. Lou Rinaldi:** Thank you for being here today. I'm going to start by following some of the previous questions, and then I'll get a little bit softer. Coming from rural Ontario, when I visit Tim Hortons, energy costs are a big issue because of the lack of other energy supply options in our communities.

When the auditor did this particular report that we're talking about today, there were some pretty obvious issues that you've identified. Congratulations for that and how well you quickly tackled them. I guess my question is: How did we get there in the first place? Some of these things are somewhat fairly obvious. That's the challenge. If I'm going to do the job I do, and as I'm sure Mr. Lord did back in New Brunswick, you have to respond to the citizens who put you here, and I enjoy every minute that I'm here. But those are the types of questions I'm faced with every day.

But I am delighted—and I mean that with sincerity—by how quickly you reacted and how far you've come. If you could just highlight a little bit of that, and then I'll get to softer questions.

**Mr. Bernard Lord:** If I could just start with a broad comment, the questions that you and other members of the committee are asking are totally legitimate questions, and your constituents want those answers. I came in—I think my first board meeting was the day after the Auditor General tabled the report.

**Mr. Lou Rinaldi:** Welcome.

**Mr. Bernard Lord:** It was too late; I had already said yes.

What I saw, from the board's perspective—I can assure you and provide some level of assurance and confidence that the board took this very seriously. We

saw this as a sign that we had to do something, and we decided to act very quickly, because we know the standard we have to meet. Beyond any other company, any business where you have to meet the standards of your shareholders, our shareholders are not only the government of Ontario; they are the people of Ontario. As I know you can appreciate, I understand that very well, and that's why I was pleased by the reaction and the determination of the board to deal with this quickly. What I sense from senior management is that they understood that we had to act quickly and deal with this.

The one thing I would say, and I'm sure Tom will give you more background on this: The Auditor General went back 10 years, and the report covered a 10-year period. You're right to ask how these things happen. But some of the corrective measures were already in place or undertaken by senior management before the report came in.

I think this is a good illustration of how this type of process works, and how what we're doing today works. That's why we welcome the opportunity to be here to reassure you, and to reassure the people of Ontario. And I want to go back, because to me, everything has to start with a goal and a clear mission. Our mission is to be the low-cost producer in Ontario. We are the low-cost producer in Ontario, we want to remain the low-cost producer in Ontario, and we know that means we need to do certain things more efficiently. We need to look at our costs. We've talked about pensions. Those are things we want to address, and we're not done yet. I want to provide you with that level of assurance from the board level. I'll let Tom speak on behalf of senior management.

**Mr. Tom Mitchell:** Maybe I can try to address your question this way, because I raised the issue in my remarks about culture. To be honest with you, we can have a rule book as big as we'd like, and believe me, we run a nuclear power business, so paper is our friend. We have a lot, and it's important to have that. But really what we are trying to do is change the mindset here.

What I can tell you is that we had identified a number of issues and had been taking action on those. I viewed the Auditor General's report as an accelerant on that change. The report caused a lot of soul-searching and pain in the organization. Some of that was vented in sort of, I would say, a defensive way. I told people, "Don't be defensive. This is like a mirror being held up to our organization. This is what people externally see when they look at OPG." Sometimes if you don't like what you see, the first place to look is in the mirror. What I would tell you is that it was a wake-up call to accelerate that process, to continue to educate people on the importance of being a wise manager of the public purse; that we needed to change, and it needed to be a step change.

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Now, I would never declare victory on culture; I think culture is a bit of a journey. But what I would say is that prior to the Auditor General's report and following the Auditor General's report, it was a lot of top-down driven change. I did talk to you about the organizational change being driven by middle management, which I think was a



very healthy process. Having been involved in two or three different major reorganizations, I think this was actually a good case study of how to do organizational change.

What we've done now is, we're starting a bottom-up approach. Part of that was an education about, when we collect a dollar, where does that dollar go? I think it was a real eye opener for everybody in the company of where that dollar goes. How much of it goes to pensions? How much of it goes to operational? How much of it goes to fuel? What are the input costs?

That process, which is still under way, has generated a phenomenal number of ideas, and let me just give you one. In the north, we had a lot of satellite phones because we need to communicate, but wireless technology has evolved and the wireless network has evolved, and we don't need those satellite phones any more. Most of our staff now have wireless communication, so we're able to eliminate that. Now, that may sound small, but every nickel counts.

What we need is—I mean, it would be nice if the CEO could ask all of those questions. What I need is 9,700 people asking those questions and identifying—so that was a relatively small idea. Let me give you a big one. Atikokan station, the station we just converted to biomass—on budget and on schedule, I might add—has the same turbine as Darlington; just one of them instead of three of them. It's a much smaller plant. It turns out that at Darlington we need spare parts. What we found out is that the spare parts that we have at Atikokan fit at Darlington. So the estimate of that in terms of cost savings is something in the order of \$1.5 million just through pooled inventory. That's one of the advantages of going to a single supply chain instead of having a fossil fuel supply chain and a nuclear supply chain.

What I'm starting to see is that cultural shift. What we're doing right now—I don't have the results yet; we just started—is a survey of our employees to gauge their level of understanding of some of the things I've talked about, and I think that will be very important for the management team. We'll share that with the board in terms of what has been the degree of penetration on some of these issues because, as I said in my remarks, and it was alluded to earlier, we have to have the same focus on small expenditures as we do on the big things.

The other thing I would also tell you is that a big part of the culture change has been the Ontario Energy Board process, because that is the voice of the ratepayer to us. We go through a very elaborate process of presenting to them, and we get feedback. We share that feedback with the staff because that's the ratepayer. The people who are paying the bills, that's their feedback to us on what needs to change. As I said, I would never declare victory, but I think we're making solid progress on those changes.

**Mr. Lou Rinaldi:** I still have time, Chair?

**The Chair (Mr. Ernie Hardeman):** You've got about six minutes left.

**Mr. Lou Rinaldi:** Okay. So, following on that thought—and I appreciate your answers; I think, from

what we've seen happening over the last year or so, your answers today do make some sense. I'm going to stick to the theme of the end user, because those are the people who call our constituency offices. They call me; they see me at church; they see me in the grocery store, and that's the thing they talk about: their hydro bill.

You talked about some initiatives that you're already starting to turn the curve on, to help us message that. You mentioned a couple of them. Maybe they don't have to be that specific, but, of the things you've already done and things that are in progress of being done, can you help me with some more messaging to say that we're making things happening?

Yes, we've been there, and I like your words being honest. There was a culture, and that became very evident out there. I like to talk to people in a fairly straight manner and say, "Don't fight it. Accept that there was a culture, but here's the road we're going on." You mentioned a couple of things, but can you elaborate a little bit on things that I could add to my list that I could say to these folks, to help you and to help us as elected folks here?

**Mr. Tom Mitchell:** Well, Member, I've tried to give you a couple of specifics. I hope I've helped to give you a range.

**Mr. Lou Rinaldi:** Yes; very helpful.

**Mr. Tom Mitchell:** What I would say is that there are many of those. What we're trying to do is to encourage people. I think the other thing that I would just say, in general, is that we have a very high degree of respect for the ratepayer in the sense of understanding the impact. The fact that we are, right now, about 47% lower than our competition in terms of our price impact, I think, is something that is very important, as Bernard has said, and the board. When we talk about initiatives and talk about changes, ratepayer impact is a prime consideration.

I can also tell you that, when we visit our colleagues at the Ministry of Energy, I would say that that is probably, if not the first question, generally in the top three or four questions that get asked: "What is the impact of this on the ratepayer?" The idea is to have a positive impact. I think it has very much come to mind.

What I can tell you is that the whole premise of the business transformation process that I've outlined is—at a macroscopic level, to give you a sense of the change that we've been through—again, most of it, top-down-driven. One of the things that we're actually interested in cataloguing, and that we're capturing on things like websites, is all of these examples that have come up of savings.

Let me just give you another one. MTO, the Ministry of Transportation, has a fleet of cars that are positioned around the province. We now have a co-operative arrangement with MTO to actually have those cars available at our sites. They are a much more efficient and effective way than a car rental; you basically book it online, you pick it up, you drive it and you bring it back. That's a cost savings. It's an efficiency saving for the government, because it increases the utilization of that resource.



That's just another. There are many of those types of examples where I think we're trying to drive into the mindset that our actions impact the ratepayer. Large or small, we want to know what it is, and we want to fix it.

**Mr. Lou Rinaldi:** On the same line, if I have a minute: We're all guilty. We've become so accustomed. We just flip the switch when we go in any place, our businesses or homes, and whammo. It's magic, right? I guess we forget—I think we all do—how that happens. It's magic.

I think that's one of the things. Although there are some challenges from all different sectors of the electricity business, having the opportunity to flip the switch and have the lights come on has a huge value attached to it.

From your lens, from your side of the road, can you talk a little bit about the value that we as Ontarians—and other jurisdictions, frankly; but we have a fairly reliable sense. Can you maybe enlighten us?

Do you have a question, too?

**Mr. John Fraser:** After you're done.

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**Mr. Tom Mitchell:** I'll give you a very short answer, because I know there are other questions. Let me just tell you: Our number 1 focus is safety, (2) is reliability, (3) is green and clean, and (4) is cost efficiency and effectiveness. That drives everything we do. That's the lens, I can give you assurance: everything we do, every day, 24/7.

I absolutely agree with you: I think that people, perhaps, don't realize everything that's behind that switch. Actually, I think that's a good thing, in some respects, because people become accustomed to having it there.

I can just tell you that whether it was during the ice storm or other periods of weather, our number one goal, after safety, is to make sure that system is there to support—

**Mr. Lou Rinaldi:** Thank you. I think my colleague has a question.

**The Chair (Mr. Ernie Hardeman):** Mr. Fraser.

*Interjection.*

**Mr. Bernard Lord:** Sorry. Just 30 seconds. I just want to go back to your previous questions. I think there are three key things you can mention to constituents: We have reduced senior management by 11% in the last 18 months; we've reduced the total number of employees by over 2,000, close to 2,300; and we're working our way to a 50-50 pension plan. We've already put that in place with management, and we'll be working and negotiating to achieve that with all employees. Those are three key elements. The journey has started, and we're not at our destination yet. But those are three key messages that show the trends are going in the right direction.

**The Chair (Mr. Ernie Hardeman):** Mr. Fraser.

**Mr. John Fraser:** Just a quick question in terms of the latest OEB ruling. There was a ruling in terms of compensation. I think it was \$100 million to be disallowed this year and \$100 million next year. As it relates to what we're discussing today, can you provide some comment on that?

**Mr. Tom Mitchell:** I'd like to ask my CFO to come up and talk briefly about the rate case and what was driving it.

**Ms. Beth Summers:** Thank you for the question.

**The Chair (Mr. Ernie Hardeman):** Could we have your name first, before you speak?

**Ms. Beth Summers:** It's Beth Summers, CFO.

**The Chair (Mr. Ernie Hardeman):** Thank you very much.

**Ms. Beth Summers:** The Ontario Energy Board, after having gone through the public hearing process, did identify in their executive summary that the rate increase is roughly 10%. While we're still working on that, the key piece of that, I think, to put some context, is that there has been no rate increase for Ontario Power Generation since 2008. That actual increase is less than what inflation has been over the same period of time. From OPG's perspective, we're actually very proud of the company, that it has been able to identify efficiencies, through time, that allow us to deliver all the energy and the generation, in the context of that increase, especially in light of the fact that it's much more emission-free generation, proportionately, over that period of time.

**The Chair (Mr. Ernie Hardeman):** Okay. Your time is up. We now go to the official opposition. Ms. Munro.

**Mrs. Julia Munro:** Thank you very much. Actually, you made a couple of comments a moment ago that were a perfect segue for me. I want to talk a bit about the pension issue. You mentioned that there were 2,300 fewer employees, but I lost my number that says how many you have, in round numbers.

**Ms. Barb Keenan:** We have about 9,700 right now.

**Mrs. Julia Munro:** Okay. Thank you very much. I realize that was in the margins of the paper somewhere.

In looking at the information the Auditor General has provided us with, it seems that when the Dominion Bond Rating Service looked at Canadian pensions, you were at the top of the list, but that meant you were the worst. I wanted to know: With a \$3.3-billion deficit, you mentioned the lower number of employees you have, and obviously that would have some bearing on the pension plans.

But a couple of other things: When you talk about going to a 50-50 contribution, where it had been closer to 4 to 1 or 5 to 1, as I understand it, that means the taxpayer is paying for that shift, does it not? Because if OPG paid for part of this, the one part, then that was money that came from the public purse. Is that fair to say?

**Ms. Beth Summers:** Let me try to address the question. With respect to the contributions, as the contributions move towards 50-50, that ratio will change, such that it's the employee that picks up the larger portion, versus the ratepayer through Ontario Power Generation.

When you look at the pension fund historically, or the historic cost of the pension fund, it would be the ratepayer that would have been making the higher contributions, not the taxpayer per se, if I understand your question correctly.

**Mrs. Julia Munro:** All right. If we take the ratepayer—because there is only one taxpayer—I guess my



question is, in going to that one-to-one balance, does that mean that the individual is seeing an increase of their contribution?

**Ms. Beth Summers:** Yes.

**Mrs. Julia Munro:** In most cases, we see almost a tsunami of people reaching a certain age where they start retiring. Is it fair to say that the same kind of thing is true with OPG?

**Ms. Barb Keenan:** Yes. Part of our business transformation was to actually capitalize on that demographic profile, where we do have a significant number of our employees who are eligible or will be eligible to retire in the next few years.

**Mrs. Julia Munro:** When they look at how many workers there are to how many retirees—I know, for instance, teachers did an analysis 30 years ago or something, and there were four people working for every one retired. What kind of number can you put forward that would be the similar kind of analysis? What would the ratio be between those who are working and those who are retired?

**Ms. Barb Keenan:** Currently, we're at that tipping point, where it's actually 1 to 1.

**Mr. Tom Mitchell:** It's 1 to 1.

**Ms. Barb Keenan:** One active for one pensioner.

**Mrs. Julia Munro:** Do you see that number potentially changing as your workforce ages?

**Ms. Barb Keenan:** Yes, not only with our workforce aging, but also, with the closure of Pickering and us lowering our numbers because of transformation and trying to lower that, you will see an increase in pensioner ratio to actives over time. Yes.

**Mrs. Julia Munro:** What is the average age of retirement for someone at OPG?

**Ms. Barb Keenan:** It's roughly 58.5.

**Mrs. Julia Munro:** Do you anticipate that there might be pressure to increase that average age?

**Ms. Barb Keenan:** The average age—one of the things we did with management is—right now, there is something called the undiscounted rule, which is the sum of—

**Mrs. Julia Munro:** I'm sorry, I didn't hear it.

**Ms. Barb Keenan:** There is something called the undiscounted rule, which is the sum of age and years of service, that allows you an undiscounted pension. For management, it was 84. We recently gave notice to management that we are increasing that age to 90.

Now, what I will say, to put this a little bit in perspective as well, is that although there had been a rule of 84 for management and 82 for represented employees, on average, people don't leave until the rule of 89. In fact, that has been our history, and we quite scrupulously look at those numbers and keep track of them.

**Mrs. Julia Munro:** And it's more likely to be closer to 89, is it?

**Ms. Barb Keenan:** Actually, since around 2010-11, we have seen that number go up versus down, so people tend to be staying a little longer than they did previously.

**Mrs. Julia Munro:** What is the percentage—I'm sure it varies, so I would only be looking for a ballpark figure—of your retirement earnings vis-à-vis the length of time that you've been there? Maybe that's—

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**Ms. Beth Summers:** Yes. It's a formulaic calculation. The way that it is calculated is that for every year of service 2% of your highest three years of pay.

**Mrs. Julia Munro:** The highest three years, okay.

**Ms. Beth Summers:** And it maxes at—

**Ms. Barb Keenan:** At 35, so 70% at your highest.

**Mrs. Julia Munro:** And would that vary from the kind of job you held—

**Ms. Beth Summers:** No.

**Ms. Barb Keenan:** No.

**Mrs. Julia Munro:** —or is it just strictly on the money? Okay.

The other question that I had with regard to this was with the deficit that the bond rating identified. What kind of response have you given to that?

**Ms. Beth Summers:** With respect to the deficit, that is highly impacted or relates to how the assets have performed through time, so at any given point in time that does change. The last valuation would have had—I don't have the number right at my fingertips, but the deficit had decreased with respect to what it was previously. That will move around through time depending on how the assets are performing, which is generally driven by general market conditions.

**Mrs. Julia Munro:** There are times when you're going to have to have a number, as they did here. How does that number get translated in terms of financial obligation? Whose financial obligation is it? Where is it attached? Is it attached to just OPG? Is it attached to the provincial debt? Where does it go?

**Ms. Beth Summers:** The way that it will work is a valuation is done; it's calculated. Based on that valuation there's a determination of what the pension contributions are. They're split into two pieces: current service and for past service. With respect to the deficit, depending on the size of the past service deficit, there will be contributions that are made by the company in order to address that. In a period of time where a pension fund could be in a surplus position, that there would be no contributions and a period of time when there's a deficit, there is a calculation which is done through actuarial means. There will be external actuaries that help calculate those numbers, but those contributions then will be made by the company.

**Mr. Bernard Lord:** If I can add, you mentioned earlier the ratio that we're trying to get to, the 1 to 1. You mentioned before it was closer to 5 or 6 to 1, and correct me if I'm wrong. With the additional payments, that means the ratio is actually more than—let's say it was started at 6 to 1. If we make additional special payments then it becomes 6 or 7 to 1.

**Ms. Barb Keenan:** If I could just—the going concern—the ongoing is a 3-to-1 ratio currently. Any special payment is what increases that. Right now, it's at four

Now, the most recent valuation we did—as Beth mentioned, our solvency ratio improved considerably. In fact, I believe—and I'll have to come back to the record later and go back to my office and verify this—the solvency ratio was at 99%. So it went up considerably, and the going concern was around 93%. It was a considerable improvement largely driven by the discount rate, as well as investment returns.

**Mr. Tom Mitchell:** If I could also add to some of the numerics that you've heard here, which are very important and, as you can tell, we track very closely, we were a strong supporter of the review that was done by Mr. Leech to look at the overall structure of these programs and the sustainability of them, which I think many of your questions are driving at. We are, as we've mentioned, taking real steps with management to move in terms of contribution ratios and retirement age, if I could use that, or the formula.

But the ultimate goal, which we are very supportive of, as outlined in the Leech report, is a funding management plan. Now, I'm not a pension expert, but my description of that would be that at any given time, say, annually or biannually, you would look at the assets and the liabilities—assets generally being market-driven—liabilities as a longer-term calculation, so there's always a bit of variability in this—and that the financial condition at any given time would be built into contributions or benefit changes or things, very similar to what has been put in place with teachers. Those are things that I think have been put on the table strategically, and we're very interested, and have been for quite some time, in moving past the steps we've already outlined into that broader discussion.

True sustainability, in my view, would look at those assets and liabilities periodically and make changes to either funding status, in the sense of contributions, or looking at benefits so that it remains in balance. The value for everyone in that is that it assures all of the participants in the plan that the plan will be there when it's needed.

**Mrs. Julia Munro:** Yes, I would certainly agree that there's the need to sort of have a bit of a float flexibility kind of thing that will respond.

On a totally different note, I just wondered how many of the senior people received merit pay the first time after the auditor's report. Was there any change?

**Ms. Barb Keenan:** As a result of the impact of the Auditor General report, there was a 10% reduction that was attributed to the incentive payout that year, or the pay-for-risk payout, to recognize the impact.

**Mrs. Julia Munro:** Thank you very much. Just one final question on reaching the 50-50: How long do you anticipate that to take?

**Ms. Barb Keenan:** We did obviously engage appropriate advisors in this on the proper way to do it, but in order to get to our going concern requirement in terms of a percentage, it would take us roughly five to six years if we moved at a percent a year of increase. Right now, employees pay 7%; we would be moving up to 12% or 13%.

**Mrs. Julia Munro:** Okay. Thank you very much.

**The Chair (Mr. Ernie Hardeman):** Okay, if everybody is done, thank you very much for your time this afternoon. If we could, we'll ask the committee to just wait for a moment as we clear and we will go into report-writing mode and close the doors.

*The committee continued in closed session at 1437.*









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## Legislative Assembly of Ontario

First Session, 41<sup>st</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 3 December 2014

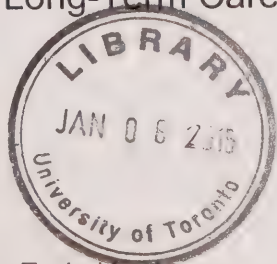
# Journal des débats (Hansard)

Mercredi 3 décembre 2014

### Standing Committee on Public Accounts

2013 Annual Report,  
Auditor General:

Ministry of Health  
and Long-Term Care



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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Wednesday 3 December 2014

Mercredi 3 décembre 2014

*The committee met at 1233 in room 151, following a closed session.*

2013 ANNUAL REPORT,  
AUDITOR GENERAL

Consideration of section 3.02, health human resources.

MINISTRY OF HEALTH  
AND LONG-TERM CARE

**The Chair (Mr. Ernie Hardeman):** I call the committee to order. Again, we're meeting to discuss section 3.02, health human resources. It's item 3.02 of the 2013 annual report. We have with us the Ministry of Health and Long-Term Care and HealthForceOntario. We have them at the head of the room here.

With that, we will start with your presentation. You will have 20 minutes collectively to make your presentation. Then we'll have 20 minutes for each party in rotation until we've consumed all the time this afternoon. I do ask if you would make sure to introduce yourselves as you start to speak for Hansard so we can get the names properly into the record. Normally, I would introduce you by name, but that still doesn't get it properly into the record because sometimes I have trouble with pronunciation. With that, we will leave it to you to do that.

Thank you, again, very much for coming in. The floor is yours.

**Dr. Bob Bell:** Thank you, Mr. Chair. My name is Dr. Bob Bell. I'm the Deputy Minister of Health and Long-Term Care. I'd like to start by thanking you for the opportunity to address the Standing Committee on Public Accounts with respect to the Auditor General of Ontario's report on health human resources.

With me is Ms. Suzanne McGurn, who has been assistant deputy minister of the health human resources strategy division since 2011. I should note that in October, Suzanne was appointed the executive officer of the Ontario public drug program. I'd like to take this opportunity to publicly thank Suzanne for her leadership of the health human resources portfolio over the past years.

I'd also like to thank Ms. Roz Smith, the executive director of the HealthForceOntario Marketing and Recruitment Agency, which is the operational arm of the

government's health human resources strategy, HealthForceOntario. I might say what a pleasure it is to work with both Roz and Suzanne and to see the terrific collaboration that exists between the portfolio in the ministry and in HealthForceOntario—terrific collaboration and wonderful implementation of strategy and marketing by HealthForceOntario over the years.

Finally, I'd like to thank the Auditor General of Ontario, Bonnie Lysyk, for her report and appreciate her advice to strengthen health human resource planning in Ontario. Thank you.

The Auditor General's report laid out four key recommendations, with an emphasis on evidence-informed physician and nurse recruitment and workforce planning. I am pleased to say that, since this report was released in December 2013, significant progress has been made to address each of the four recommendations. These recommendations were informative and useful as we continued to plan and evaluate our ability to meet patient care needs over time, in an environment where we recognized that health services, health technology and especially the engagement and understanding of our patients and citizens evolves rapidly with time.

Before discussing progress, however, I'd like to provide the committee with context on the health human resources environment prior to the establishment of HealthForceOntario. Prior to the launch of HealthForceOntario, the province experienced a critical shortage of health care providers. Access to primary and specialty medical care was compromised by a lack of health human resources, and services, especially in our hospitals, also in our communities, were hampered by difficulty in recruiting sufficient numbers of nurses to provide care that patients needed.

To give you a sense of the degree of crisis that we were facing, in 1998, 77 communities in the province were designated as underserved, mainly in northern Ontario. By 2003, the number of underserved regions had grown to 129 communities, an increase of 68%. By 2006, the number rose again to 137 communities, an increase of 78%.

As you may recognize, the marketplace for health human resources is international and highly competitive. At the time that the health system in Ontario was facing this crisis of availability for health human resources, we were also hampered by the fact that we had no single organization, no point of primary responsibility, to



provide leadership in attempting to recruit and retain health care professionals to address this crisis.

Our efforts at the time were fragmented, conflicting and expensive. Quite often, we experience whipsawing, where one community would be competing with an adjacent community to recruit health care professionals by outbidding adjacent communities for those professionals. This led to competition between communities and between regions of the province for scarce health human resources.

In addition, health care professionals found that education, licensing, registration and regulation systems were complex, especially for health care professionals educated outside Ontario who didn't know our system. We found that immigrants had difficulty getting information, making decisions about career opportunities in the province and certainly great difficulty in understanding the red tape behind licensing, education opportunities and how our system is regulated and how they would become registered.

Employment assistance for recruitment of international providers, or even providers from across the country, was uncoordinated, resulting in losses of productivity, losses of potential years of service, and even sometimes emigration due to significant frustration with the registration system.

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Without a sufficient supply and appropriate distribution of providers, Ontario's valued health care system was perceived to be at risk and, also, to put our province generally at risk because of the economic competitive advantage that we enjoy from our publicly funded health system potentially being lost by inadequate numbers of people to provide care.

Following a first ministers' commitment on September 16, 2004, our ministry and the Ministry of Training, Colleges and Universities jointly developed a health human resource strategy. Recognizing that health human resources were threatening the province's ability to provide quality care, Ontario launched the HealthForceOntario strategy in May 2006. This was the first in Canada. Ontario's multi-year, comprehensive health human resource strategy provided an innovative approach to responding to the shortage of professionals, as well as acting to ensure that gaps would not become more extreme.

Working with educational institutions, employers, regulators and health care providers, Ontario focused on ensuring that we had the appropriate mix and number of providers, with the first priority being numbers working in communities across the province to meet Ontario's health care needs now, and planning for the future.

To further support the objectives of the strategy, the government identified the need for a coordinated marketing and recruitment centre. Accordingly, the HealthForceOntario Marketing and Recruitment Agency was established in 2007 as the outward-facing operational arm of HealthForceOntario.

The focus of the agency was to establish a one-stop shop to market Ontario as an employer of choice in health care; to coordinate outreach and recruitment efforts for Ontario, particularly in northern, rural and remote communities; to launch a national and international marketing campaign branding Ontario as the place to work; providing a province-wide listing of job opportunities and a matching service between health care providers and communities that had need; and coordinating efforts to increase access and to explain our system to internationally trained health care professionals.

As the audit report highlights, the strategy has led to significant improvements in the health human resource capacity for the province. Shortages of health care providers generally, including physicians and nurses, are no longer the primary barrier to appropriate access or the cause of wait times. The strategy has mitigated the critical shortages anticipated earlier in the last decade and has improved the province's ability to plan, train and support the health care workforce, now and in the future.

Highlights of the impact's success and the measurable results of the government's investment in the HealthForceOntario strategy include:

- more than 50,000 new regulated providers, including a 22% increase in physician supply and a 13% increase in nursing supply from 2005 to 2013;

- dramatically expanded first-year undergraduate enrolment in medical schools. I need to emphasize the collaboration between Ms. McGurn and the deans of the medical schools in planning and expanding enrolment. Enrolment today in first-year classes is up by 22%, and first-year post-graduate trainees, doctors who have finished medical school and are now getting practical experience in our clinics and hospitals, are up by 64% from 2005 to 2013;

- 17,198 more nurses working full-time in Ontario, a 26% improvement from 2005 to 2013;

- different models of care being implemented and developed, including 25 nurse-practitioner-led clinics providing care to 50,000 patients, creating more than 120 new nursing positions providing primary care to patients directly;

- more than 17,600 employment opportunities for new graduate nurses;

- introducing innovative health care provider roles, including physicians' assistants, clinical specialist radiation therapists, advanced clinical practitioners in arthritis care, and five new different types of nursing roles;

- creation of the health professionals database and other evidence-based tools to allow understanding of where our needs continue to exist, and also to inform planning of the health force of the future;

- legislative and regulatory changes increasing the quality and safety of patient care, expanding scopes of practice for individual practitioners and regulating new health professions; and



—establishment of the HealthForceOntario Marketing and Recruitment Agency, which helps communities to recruit and retain physicians and provide support to internationally educated health professionals.

So I think you'd agree that today Ontario is a place where critical physician and nursing shortages are in general limited, and health human resources are an enabler for health system transformation. In this context, work is under way to review HealthForceOntario initiatives to ensure alignment to ministry priorities and health system needs.

Broadly, our work going forward will build on the success of previous accomplishments in reducing acute shortages of health professionals across the system; enhancing all initiatives to support the goals of Ontario's action plan for health care; providing the right care for the right person in the right place at the right time, unlimited by the availability of health professionals; leveraging program evaluation to ensure value for money; and focusing on further enabling workforce transformation and evidence-informed planning of our health system in the future.

Addressing the shifting and evolving needs of the people of Ontario will not be an overnight fix. However, aligning the supply of health care professionals to patient needs is an ongoing recognized priority for us. I'm confident that the work initiated prior to and as a result of this audit report will build on the capacity built through the strategy, to ensure that Ontarians have access to the right numbers and the right mix of qualified providers, now and in the future.

A bit more detail on the work accomplished to address the audit recommendations. Broadly, the ministry has:

- improved physician planning, including the launch of a strategic, evidence-informed approach to medical education planning and meeting with a wide range of physician stakeholders to explore the development of a coordinated approach to addressing current and future physician planning challenges in Ontario, especially recognizing that medicine today requires a constant learning approach—that training and education do not cease at the time that one leaves university or residency, but continues for their entire professional career;

- initiated a review of physicians' initiatives to ensure that they continue to meet the needs of communities with recruitment challenges;

- improved systems and processes to monitor nursing program outcomes, which will support evidence-based nurse planning decision-making; and

- developed a plan to promote the Nursing Graduate Guarantee program, with a focus on the home and community sector, the previous emphasis being in the acute hospital sector. The ministry will continue to implement this plan to improve ongoing participation in the Nursing Graduate Guarantee program.

We want to meet our objective of enrolling more than 40,000 patients in nurse-practitioner-led clinics, we've launched a system to improve the financial oversight of organizations funded to support health human resources,

and we've updated information in our existing supply-based models to improve physician and nurse planning, including trying to understand the extraordinarily complex demands of future models of yet-unrecognized care that will evolve during our nursing and physician careers. In addition, we plan to proceed to explore what updates and improvements will enhance population-based funding with population-based risk adjustment for health professional needs in the future.

The ministry looks forward to continuing this important work, and is committed to addressing the recommendations of the Auditor General. Once again, the ministry, the agency and this government would like to thank the Auditor General and her team for the clarity of this audit. These recommendations will become an integral part of our evolving strategy in the coming months and years.

Thank you for the opportunity for this presentation.

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**The Chair (Mr. Ernie Hardeman):** Thank you very much for your presentation. As I said earlier, we will now have questions and comments in rotation. We start with the government side. Mr. Fraser.

**Mr. John Fraser:** Thank you, Dr. Bell, Ms. McGurn and Ms. Smith, for being here today and for your presentation. It's very much appreciated. As we had some discussion about it this morning in committee, the thing that we're dealing with here is quite a complex web that you have to dissect.

But I want to talk to you about a few of the recommendations or questions that are raised in the report, specifically with regard to vacancies in northern Ontario. The report states that there are 200 vacancies in northern Ontario, but I've heard there is some discrepancy in those numbers. I hear 61 and the report identified 200, so can someone explain this to me and to the committee?

**Dr. Bob Bell:** I'll ask Ms. McGurn to answer that.

**Ms. Suzanne McGurn:** In the report, the 200 vacancies were from a document that was utilized in briefing, actually, the HFO MRA board, which is one piece of information that came out of a consultant report at a point in time. Additionally, as a division, we do evidence-based planning, and so, using other of our tools, our supply-based modelling tools, we've also, over the period of the last few years, done modelling in northern Ontario which had numbers that were closer to 75 and 85 in two different years. I think Roz would probably be able to tell you what's currently being sought from their vantage point.

**Mr. John Fraser:** That would be great.

**Ms. Roz Smith:** Thanks, Suzanne. Roz Smith from HealthForceOntario Marketing and Recruitment Agency.

As Dr. Bell mentioned, we have at the agency a job portal called HFO jobs, and at any given moment, we're able to search that job portal and identify the number of opportunities that have been posted on the portal. As of the end of October, there were 61 specialist physician vacancies for northern Ontario on that portal. So that's where the number 61 was identified, and HFO jobs is just



one of many sources where physician postings can be listed.

**Mr. John Fraser:** Okay. My second question goes to numbers too. Inside the auditor's report, it identifies that we have a decline in participation rate with the nursing graduate job guarantee program. My understanding is, we're graduating more nurses but there's less uptake. It was explained to me this morning that it's the graduates who actually enrol in the program—or is it the institution? That's my understanding, the institution. So if you can answer those two questions for me, that would be great.

**Dr. Bob Bell:** I can certainly answer that from personal experience. As a CEO of a hospital that has 17,000 employees, in 2006-07 we were delighted to have the Nursing Graduate Guarantee opportunity to hire between 700 and 900 new nurses a year, and through the commitment to actually provide them with mentorship without having a specific line of work to do on the units, we were able to introduce them to a complex health care environment. The dramatic impact that had was, first of all, to allow them to have mentorship and, secondly, to markedly reduce the dramatic number of new nurses who would leave hospitals within six months of their recruitment.

This facilitated their entry into practice, recognizing that acute care, the hospital environment in Ontario, is much more intense than it was 20 years ago, and for a new nursing graduate, just like a new physician graduate, it's a very daunting environment to move into fresh out of school. The new grad guarantee allowed us to introduce them into practice for six months, at a time when we had a dramatic need for nurses across the province.

Now, more recently, because of these young nurses being introduced to practice—these were all baccalaureate-trained nurses, so the first generation of nurses who required a four-year university degree. These are young professionals who see the hospital as their career, and needless to say, the demand for nurses has gone down in the acute care sector.

Where nursing demand continues is in the home and community sector. The new grad guarantee is now shifting its focus toward that, where organization of the home and community sector is perhaps not as solid as it is in the hospital sector from the starting point. So it's not surprising to see the numbers going down as hospital vacancies are being filled.

**Mr. John Fraser:** So you've got 150 or whatever hospitals in Ontario, but if you look at the community-based, it's—I won't say "exponentially," but it's probably five, six, seven, 10 times that amount from an organizational perspective?

**Dr. Bob Bell:** There are 650 contracts across the province for health service providers providing home and community care, as opposed to 140 hospitals, so it's not as well organized.

But I think the key issue, the reason why admissions to the new grad guarantee are going down, is that vacancies have substantially reduced.

**Mr. John Fraser:** Thank you very much. Since you've reminded me where you were in 2006 until recently, I was pleased that you brought up the issue that the specialist shortage is not a driver of wait times and that there are other things that are driving that. I know from your experience—maybe we had some discussion about that. I know it from knowing some people who were in the same position that you were in, trying to manage some of those wait times and the things that are—if you could elaborate on that, that would be great.

**Dr. Bob Bell:** I'm an orthopedic surgeon by background. Orthopedic surgery is perhaps a good example, because in the Auditor General's report there was a reference to forefoot surgery wait times, a reference to cervical spine wait times. I can promise the committee that this does not relate to a shortage of orthopedic surgeons; we probably currently have a surplus of about 50 orthopedic surgeons across the province. The issue relates to having access to elective operating time to do the types of operations that are described as having long wait times.

You may wonder what forefoot surgery is when you read the report. This is not surgery on people who have four feet. This is reconstructive surgery on the foot, which, many times, is a chronic concern and people wait a long time for it. But it's not like being essentially crippled with arthritic pain in the hip or the knee. This is a bunion, quite often, that needs to be fixed and, quite often, folks can wait for it.

What we're in is a situation where we are expanding what are known as quality-based procedures in the funding of hospitals. We're shifting towards a more activity-based system and we're adding procedures year by year. Many of the procedures that we started with, like hip and knee procedures, hip and knee replacements, were considered to be dramatically needed, with wait times that were far too long with people suffering from quite severe disability.

Those times have largely been solved now. If we look across the province, the waiting times for these really more urgent orthopedic procedures—more than 90% of the population gets treatment within the target of 180 days. Forefoot surgery has a longer wait time. There's not as much emphasis on that. It's not because there are not surgeons who will do forefoot surgery; it's because that procedure has not necessarily been emphasized as we introduce quality-based procedures to the funding model for hospitals.

**Mr. John Fraser:** I want to ask a question. It's not a numbers question; again, it's a question, actually, that I think we've spoken about before. For the benefit of the committee, I have some interest in scope of practice; I'm beginning to learn more about it. I know that what we're talking about this morning, the change in scope of practice and bringing physicians' assistants, RPNs—

**Dr. Bob Bell:** Yes, APNs, advanced practice nurses.

**Mr. John Fraser:** Advanced practice nurses. That's going to have an impact on people's service levels, and that's part of the intent of increasing scope of practice.



Can you perhaps give the committee a bit of an overview of that?

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**Dr. Bob Bell:** Maybe I'll start off and Suzanne will fill in. This is part of the complexity of planning our health system human resource strategy for the future. There's a pretty rapid evolution of the way that care is provided in the province.

Many of you know that over three million Ontarians receive care from what are called family health teams, which are primary care organizations that are really designed to provide interprofessional care, where you would have a doctor or perhaps an advanced practice nurse responsible for your primary care, but you may also receive care from a physiotherapist if you have back pain, from a social worker for psychological distress, from a dietitian if you're diagnosed as having diabetes; your primary care may subsequently be provided most frequently by a dietitian checking your adherence to diet.

So these functions that typically in the past were provided by the sole fee-for-service family doctor have now evolved to a different model of care, where the right practitioner with the right scope of practice for the particular concern the patient presents with at the moment is the person caring for the patient. That obviously pretty dramatically changes the need for primary care doctors, in that their services are now being shared with a variety of interprofessional health providers.

So we've got an idea of how this system will evolve. If I may just take an extra second, since you mentioned specialists before as well, with the increasing availability of population-based primary care, specialist care is evolving pretty rapidly. We're introducing new models of specialist care, where the patient doesn't wait to see the specialist and then come back to the primary care doctor or a letter sent from the specialist; rather, we use e-consultation or new models of care for back pain, diabetes and pain management.

We actually work with teleconferencing methods to increase the capacity of primary care doctors and allow consultants to work on a hub-and-spoke model without necessarily seeing patients to provide data and opportunities to primary care doctors.

It's a rapidly evolving model of practice that's more convenient for the consumer to access. It's client-based. We think it's also going to change the way we provide health services and change the demand for health practitioners going forward.

**Ms. Suzanne McGurn:** Just to go back, I did not introduce myself. I'm Suzanne McGurn. I'm the assistant deputy minister. I do just want to extend a thank you to the auditor's team. We certainly did benefit from a very great working relationship.

I just want to comment that with regard to the specialist example, certainly there was recognition of the need for us to do enhanced planning as we go forward to be able to take into account many more aspects of what we need in the future than just the numbers, but to include our hospitals, other types of providers etc.

To respond to your question, I think there are a few things that I'd like to say on this. First off, I want to say that I wasn't here but I'm very proud of the fact that I'm implementing a strategy that didn't rely on one strategy to solve the problem. In fact, when you look at what has been accomplished in Ontario, it's because of the courageousness of not just taking one route but many.

So we did look at increasing the numbers. It's not just doctors and nurses; we've increased the production of pharmacists, midwives, nurse practitioners, optometrists—a wide range of health professionals that contribute to us having the opportunity to have a different mix in the future.

We've also done many changes with regard to scope of practice, not just to one profession but to many. Examples would be—one that people talk a lot about are changes to nurse practitioners, things that are no longer having to be done on a list, where they can make choices within their scope on lab tests and drugs etc. They've also been given the ability to admit and discharge from hospital, and other things that have changed the way that they interact with the health care system.

Additionally, we've looked at our regulations, and we've looked at our regulations for regulated health professionals from a number of angles. During the time period of the HealthForceOntario strategy in collaboration with our pan-Canadian partners, we've looked at the ability for labour mobility across Canada, which provides a different grounding for people to be able to move into Ontario as the employer of choice. We've also changed the way that equality is outlined. All of the regulators have had to bring forward changes that have been able to respond to that.

Thirdly, we've regulated new health professionals that were not regulated before, bringing them into structures that allow a different type of relationship with the government and with patients, in recognition that patients have many choices beyond just traditional health care system providers.

Lastly, with regard to the number and types of providers, we have introduced, as was referenced, physician assistants, clinical radiation specialists, advanced care practitioners and new nursing roles. What they have done is given us different opportunities to solve problems in different communities in new and innovative ways. Not one model works anywhere.

For PAs, as an example, we are graduating 54 physician assistants a year. We have 100 in our current education system and we have 160 PAs working in the province. To support them transitioning into a job over the last five to six years, we've also been providing employment supports as people become familiar with them.

We're now at a point, with many of the models and providers that we have introduced, of the system needing to determine how they work for them going forward. We've had an opportunity to provide people with a number of options to solve their challenges in unique ways in each of their own communities.



**The Chair (Mr. Ernie Hardeman):** Further questions? Ms. Malhi?

**Ms. Harinder Malhi:** I have a question about the establishment of the HealthForceOntario Marketing and Recruitment Agency. Ontario has been able to focus our health human resources on health system transformation. Can you please point to some of these transformational changes that have occurred since the establishment of the HealthForceOntario Marketing and Recruitment Agency?

**Ms. Roz Smith:** Thank you for the question. Any opportunity to speak to the work that the agency has done since it was established at the end of 2006 is a welcome opportunity.

We've been fortunate to contribute to the transformation of the health system in a number of ways. Probably one of the most visible, and dear to the heart of almost everyone in Ontario, is the fact that we have prevented the closure of emergency departments. Prior to our existence in the fall of 2006, it was not unusual—particularly for a long weekend in the summer, but not unusual generally—for emergency departments to close as a result of the absence of a physician. These would be smaller emergency departments, where the absence of one physician would result in there being no physicians available to provide care for patients. Through our locum program, the emergency department coverage locum program in particular, we've been able to prevent the closure of emergency departments, thereby ensuring that everyone in Ontario has access to an emergency department when it's required.

As Dr. Bell mentioned, another significant part of the agency's mandate relates to recruitment and retention of health professionals, and physicians in particular. It's important to have the right professional in the right place at the right time to ensure that everyone in Ontario has access. By having staff throughout the province in each of the 14 LHINs, we've been able to assist communities with recruitment of physicians, and through some of the programs that we administer on behalf of the government, we've also been able to assist with the retention of those individuals. We have individuals that speak with community recruiters, share best practices, offer advice on how to actually recruit physicians, match new physicians—that is, newly graduated physicians—with communities in need. That helps to ensure the access and, as well, the sustainability of patient care within the communities.

Another service we offer relates to helping physicians who are interested in moving to Ontario become licence-ready. There are a number of physicians living in the States or living in other provinces and territories who may have gone to medical school in Ontario or may have attended medical school elsewhere, but the bottom line is that they're living outside of the province and they're interested in returning to Ontario or moving to Ontario in order to be able to practise. Part of transforming the system, again, relates to access, it relates to sustainability of care within the communities, and the agency has helped over 1,000 of those physicians return to Ontario

and set up to provide practice in communities across the province.

So most of what we have done relates to access and relates to the sustainability of care within communities.

**Ms. Harinder Malhi:** Thank you.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes the time.

To the official opposition: Mr. Walker.

**Mr. Bill Walker:** Thank you for coming. Quite a learning day it is today; I'm trying to keep up with all of this.

I guess what we heard a little bit this morning—and I just want to start with a generality. It seems, in a lot of cases, I'm not hearing—so I'd like you to clarify if that's not the case—that you have actual numbers that you were estimating and what you were hitting in regard to physicians and by type. Can you expand on that? Can you give me any kind of feedback?

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**Dr. Bob Bell:** We certainly do. Right now, in terms of the general number of physicians who we project will be practising in Ontario, based on the number of post-graduate trainees finishing medical school in Ontario or the rest of Canada or being recruited as international medical graduates, we actually expect, based on our best demand numbers, that we're heading toward a bit of a physician surplus. We estimate, perhaps, a 6% surplus in the year 2023.

The history of physician planning in Canada has been marked by pretty dramatic swings of over-supply and over-demand. We're very well aware of that history. Closure of medical school positions in the mid-1990s led to a shortage that was entirely predictable that we're talking about occurring in the last decade. What we're looking at now is a better way of more gradually modulating the overall number of physicians entering practice and, crucially, also looking at critical subspecialists and specialists.

For example, as I mentioned earlier, we recognize an over-supply of orthopedic surgeons in the province currently. We recognize an under-supply of psychiatrists. Suzanne and I meet on a regular basis with the council of faculties of medicine, comprised of the deans of all the faculties, and this is a very important topic of conversation: how many new entrants into medical school to provide the overall number of doctors, recognizing that that's an "eight year before completion of product" estimation, and also recognizing the distribution of roles that we call post-graduate medical roles—how many psychiatry residents we need, how many pathology residents. This is something that we monitor pretty closely and try to plan appropriately.

We also try to anticipate changes in models of practice and changes in technology. We used to have long wait times for cataracts because cataract surgery took an hour and 20 minutes to complete. Now it's possible to do two to three cataract surgeries in an hour. So, going forward, we probably won't need as many ophthalmologists doing cataract surgery.



So evaluation of the so-called pipeline from its initiation to its subspecialty steps into a variety of different planning regimes for different specialists—combined with an anticipation of where technology and practice is going in the future, it's impossible to hit this dead-on, but we're certainly making every effort to try and do that prediction and build the appropriate supply chains for human resources.

**Mr. Bill Walker:** In the audit, it shares that you had not met its goal of having the right number, mix and distribution of physicians in place across the province to meet the population's future health care needs. Can you tell me what the right number is?

**Dr. Bob Bell:** The right number varies from region to region.

**Mr. Bill Walker:** Are you able to provide those stats, region by region?

**Dr. Bob Bell:** We could take a stab at it. It would be complex. It would be LHIN-based, it would be sub-LHIN-based. It would be based on how many specialists are needed for small populations. You can anticipate, in a community like Smooth Rock Falls, for example, the distribution of physicians to be different than it is in downtown Toronto, but that kind of planning is undertaken.

Probably the most important thing that we have today in terms of shortages relates to maldistribution of physician resources, especially in northern and rural regions. We're currently looking at a way of enticing physicians, in particular, to consider careers in different areas.

Probably the most important step forward that we've made that's really decreased the maldistribution is the introduction of a new medical school, the Northern Ontario School of Medicine, recognizing that the best way to recruit folks to northern and rural environments is to find physician trainees who are from those regions and to train them so that they're comfortable practising in smaller communities that are, geographically, widely dispersed.

We're trying a number of different approaches, both ways of inducing recruitment to areas that are currently underserved in the rural areas of the province, and also, crucially, training people so that they have the skills appropriate for working in those areas.

**Mr. Bill Walker:** I want to go back a little bit. You've been in existence since 2007, as has your association, Roz's association, HealthForceOntario. The ministry's obviously been around a lot longer than that. I'm not trying to be smug, but you're saying that you could take a stab at it, getting numbers. So my concern would be, how would you have expected your strategy to be efficient and successful if you're going to take a stab at it today, six years later?

**Ms. Suzanne McGurn:** Perhaps I'll take a starting response. I'm going to take a step back. You started asking how do we determine, and what tools do we have. The first thing I want to say, building on Dr. Bell's comments, is that the system continues to change, and what we would plan today could look different tomorrow

with a new drug or a new technology. But committed to in the HealthForceOntario strategy from the beginning was to build an improved evidence base for making those decisions. Certainly the audit team has heard me say before that there is no single tool that is a crystal ball that will tell you what you need one year from now, three years from now, five years from now. But we do have tools that we didn't have before, and they do help us contribute to being able to plan differently and, to your point, year over year, be able to look at where our priorities are. So with your indulgence, I'll tell you about a few of our tools and how we use them.

We do have a health provider database—which is unique now in, probably, Canada—which is our health regulators who collect information about their membership. If any of you are a health professional, you know that your application got a lot longer a few years ago. We collect about 50 pieces of information, and that includes a lot about your employment: Are you in a full-time job? A part-time job? Are you seeking other employment? For all of the regulated health professionals, we annually update a database of all of that information, which allows us to know more than just doctors and nurses.

We also have a number of tools specific to physicians. We have an ADIN model that assesses doctors' inventory flow: who's coming through medical school; what's been the history of selection by students; where do people tend to practise; changes in sub-specialization—those kinds of things. Additionally, working in collaboration with the OMA early in the strategy as well, we have an Ontario population needs-based physician model, which allows us to look at, if the world continues in the way we think it is in a particular disease state, what would the need for physicians in a particular specialty be?

So those are, as a grouping, some of the tools we have at our disposal.

Using the needs-based model as an example, if, for example, there was a productivity shift that we saw by something that was emerging somewhere else in the world, or a new technology, we actually could put that in and see what that would look like. If the productivity of our family physicians, for example, was increased by 50%, what kinds of adjustments would we need to make in our model? What we do then is—it's not across Ontario at a given point in time; many things change. Where is population growth? Where is population decline? In a particular community, if you look at it as a single profession—just physicians—it may look like we have an undersupply. But when we superimpose on that whether we have a nurse-practitioner-led clinic or access to pharmacists who are able to do immunizations—when we put the whole package together, as well as information that the agency has, community by community, we're able to better say where it is that we have challenges now.

I would just add to it that the type of challenge differs year over year. When I arrived in the job in 2011, we were still recruiting for critical shortages in some areas. Now I would say what Roz and I spend more of our time



talking about is succession planning in communities, which is, as you're looking at the retirement of physicians or some other profession that has been critical in a small community, it's about matching a new graduate with that community.

So, again, is there a piece of paper that maps out every single day? It's not a piece of paper. It's a constellation of evidence-based pieces of work that we're able to put together to better define and better plan not just physicians, but all health professions.

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**Mr. Bill Walker:** I don't think I'm—

**Dr. Bob Bell:** I apologize; when I said “take a stab at it,” I thought you were going to ask me about an individual community. We've got some of that data, the ratios—

**Mr. Bill Walker:** No, no, and I'm not looking for that day-by-day. What I'm saying is that it seems there's certainly a disconnect in the number of graduates we're pumping out, with no thought process as to where we need them. We're pumping a lot of people out; I keep seeing in the data that they cannot find full-time jobs. Why are we doing that? Why are putting more people through? Is there a disconnect between the university education system and the health care system so that we're actually putting a whole bunch of students through here who are never going to get a job, and there are huge shortages here, here, here and here? I find it strange. I've tried to read this very quickly, just as we've been talking, to get my head around, a little bit more, the aspect.

You've known for a long time that northern Ontario—what specific things are you doing? If you don't have a number you're trying to address, whether it be for two years or five years—we know there's an issue there. It's a changing number; you still have to have a ballpark. What I read in the auditor's report are words like “the right number,” but then you're telling me, “But I don't have a right number because it keeps moving.”

**Dr. Bob Bell:** I apologize; I misspoke myself. We do have a number. We know how many physicians are present. We know the number of vacancies, the number of additional doctors that we need for most communities across the province, if not all.

The other thing that we've got—you commented on the issue of too many doctors in some areas and where we've got deficiencies in others. One of the things we recognized is that it's not sufficient to simply plan the number of physicians coming into the system based on the anticipated need. It's also very important to alter physician behaviour in terms of what they anticipate in their work life.

I'll give you an example: In 2010, Ontario was spending about \$15 million a year sending patients with critical neurosurgical emergencies out of province to Buffalo and Rochester because our neurosurgeons were unable or unwilling to accept the care of emergency patients. We couldn't find doctors or hospitals to treat them, and they were necessarily being sent out of country, at great expense.

More than 150 patients left the province in 2011. The number today is zero leaving the province. The reason for that is that we started paying attention, not only to the number of neurosurgeons, but also to the way they enter practice, their age, whether or not they were taking full call, and their accountability to look after sick patients in the middle of the night if they were going to be appointed to our hospitals. What we found at that time was there was a large number of neurosurgeons looking for employment opportunities and senior neurosurgeons who had stopped taking calls. So the number of neurosurgeons actually accepting patients out of office hours, so to speak, was being decreased.

Through Provincial Neurosurgery Ontario, a group that I was fortunate to chair and to develop this strategy with, we started a succession plan where we'd actually help to fund neurosurgeons entering practice with an extra resource being provided to the hospital for extra operating time, with the anticipation that they'd be mentored, starting practice, in the same way that our Nursing Graduate Guarantee worked. New neurosurgeons who weren't used to the high-stress environment of independent practice would be mentored by senior neurosurgeons who would agree that within two years they'd give up their operating privileges, usually entering their late 60s, to their new junior colleague whom they had mentored into practice.

This is almost the evolution of the HealthForceOntario approach. We're past the point of simply planning numbers; we're actually now at the point of looking at physician behaviour around work life, and anticipating how we can have the right practitioners ready to accept the right kind of conditions for work life across the province, appropriately planned in numbers as well as their work style.

**Mr. Bill Walker:** Thank you. About 33% of specialists who are trained in Ontario at a cost of about \$780,000 each do not stay and practise in Ontario. Is there anything in the system currently that requires them to complete any time of practice here, and if they don't complete that, is there any recourse to reclaim that money? If there is, to the first question, I'd like to know the time frame and if that has ever been revisited.

**Dr. Bob Bell:** Medical practitioners exist in an international environment of recruitment and of transition to positions that are appropriate to their skills, so there is movement. We recruit physician specialists from other provinces across Canada, and some of our excellent trainees from Ontario medical schools and residencies will go to another province to practise their specialty.

In the kind of practices I was in, there were only seven practitioners across the country. With the increasing subspecialization of complex care, we can anticipate movement between provinces occurring. Quite often, we see residents who will come to Ontario for specialty training, and these are amongst the doctors where you described one third leaving the province after completing their training here.



Two things to emphasize: One is that Ontario has one of the best health care systems in the world, and people come here literally from around the world. The hospital that I was at had 150 international surgery trainees coming to practise at the University Health Network for one or two years just to learn the sub-specialty skills and return to the United States, Australia, England with their practice. These would be amongst the people who come here and leave.

The other thing to remember is that while these specialists are here, they're providing vital services. It's not just a question that we're paying them and they learn something and leave; while they're here, they're contributing to the provision of complex care within our system. We're getting good value for these people.

**Mr. Bill Walker:** This is three quarters of a million dollars, though. So I take concern that the Ontario taxpayer is paying any money—if they're providing service, I can be okay with that. Let's just say it's \$200,000 of that three quarters of a million that they're getting paid—then let's deduct that. But why are we paying half a million to them to go to another country? Why are we not focusing on people—and at the very minimum, why are we not building in that there's a minimum requirement of time that they're going to practise after their studies are over so that we get true value? I think this is a true-value audit. Why are we not doing those things and why haven't we been doing those things?

**Dr. Bob Bell:** When you're referring to three quarters of a million dollars, you're referring to someone who has undergone their total training in Ontario—their undergraduate medical education plus their postgraduate medical education. Those folks would be, in the vast majority of instances, undergraduates from Ontario, and will stay in Ontario. This is where the feature of the Northern Ontario School of Medicine has taught us so many lessons. The best way to get people to practise in northern Ontario is to train them and recruit folks from northern Ontario.

Where you see a greater influence of people coming to the province and leaving the province is in the post-graduate trainees, who are getting specialty training in rare sub-specialties in one area and leaving. For example, I did my postgraduate training in Boston, at the expense of the Massachusetts taxpayer. I learned skills there, I contributed to their health care system and then returned to Ontario. If I had been charged by Massachusetts for coming back to Ontario, I might have been reluctant to return.

There is this inflow and outflow of sub-specialists from the province, and that helps to normalize and optimize the number of sub-specialists that we have here.

**Mr. Bill Walker:** It suggests that a lot of those people leave because of a lack of full-time employment opportunities despite long wait-lists for the same services, and the auditor notes that the ministry had not collected data from hospitals or analyzed existing data to identify the cause or to develop the solutions. Can you answer that?

**Dr. Bob Bell:** I can promise you that it's extremely rare that wait times in Ontario are caused by a lack of health human professionals at this point. The long wait times relate to availability of service and the availability of designated operating time or facilities for treatment. As I talked about earlier, there is prioritization of resource allocation. Anybody needing an emergency heart operation in this province will have it within 24 hours. People needing access to treatment for a neurosurgical emergency will receive it immediately. People needing forefoot surgery, their bunion repaired, may wait for some time.

The prioritization of services is the thing that drives wait times in this province today. I won't tell you that our wait times are as good as they should be, and we're certainly working on efficiency within the system and further planning with the system, using funding incentives to try and increase the number of procedures done when wait times get too long in any given area. But it's not the availability of health human resources any longer that drives those long wait times. It was 10 years ago, but no longer—

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**The Chair (Mr. Ernie Hardeman):** If you could just save the rest of it for the next question. Thank you very much for that, but the time is consumed.

Mr. Hatfield.

**Mr. Percy Hatfield:** Thank you for being here. France Gélinas was going to be here today but couldn't make it, so I'm the designate.

**Dr. Bob Bell:** Please give her my best.

**Mr. Percy Hatfield:** I will. She knows so much about this, and I don't.

The last number I heard was that there were 137 underserved areas in 2006. How many are there now?

**Ms. Suzanne McGurn:** In fact, the Underserved Area Program that those numbers are based on was evaluated around the time the strategy was under way, and we don't actually count that way anymore. Roz is probably in a better position to talk to you about the types of communities. I would describe it in a general sense, which was, when we got to the 137 and that program was being looked at, there continued to be pressure from many other areas. So now, in Ontario, our return of service obligation, which is available for a number of types of programs that support medical residents and medical students as they proceed through—they have to make their return of service in a larger area—

**Mr. Percy Hatfield:** Well, let me interrupt. I just want to keep the conversation going.

I heard that by 2023 we're going to have a 6% physician surplus. The good angel on my right shoulder says "Yay," and the bad angel on my left shoulder says, "Yes, but are they all going to end up in Ottawa, Toronto, Hamilton and London? What about Windsor? What about the north?" How are you going to spread these physicians around in order that everybody gets a fair share?



**Dr. Bob Bell:** That remains the challenge in our distribution of health human resources. You're absolutely right, Mr. Hatfield.

I won't reiterate the commentary around the Northern Ontario School of Medicine. That has certainly been successful, as has the extension of Western University's medical school, in Windsor—another great example of how areas which are challenged by health human resources can be helped by training folks in their local community.

Suzanne mentioned return of service obligations that we have in place for international medical graduates. I think we need to look at tailoring those a little better. Currently, folks who have return of service obligations are really only restricted from practising in Ottawa and Toronto, and I think we have to look a little more critically at those going forward. That is planned, so that we can look at what areas are appropriate and what areas have the greatest need, in focusing those obligations.

**Mr. Percy Hatfield:** So when I read that we've spent \$3.5 billion over six years on HealthForceOntario, to the general taxpayer looking at the deficiencies in the system now, was that money well-spent?

**Dr. Bob Bell:** I'll let Roz talk to the issue of how much of that has actually been operational spending to HealthForceOntario. The vast majority of that has been expenditures for salaries and for expansion of medical schools and hospital training programs for residents. It has not actually been for HealthForceOntario.

Roz, do you want to comment on the actual budget of the HealthForceOntario marketing?

**Ms. Roz Smith:** Our annual budget is in the vicinity of \$10 million. We've been in existence since the fall of 2006. So a significant amount of the amount you mentioned is unrelated to the actual agency budget.

**Mr. Percy Hatfield:** Is there still a need for HealthForceOntario? Or should it be broken down, busted down, replaced with something else?

**Dr. Bob Bell:** Let me speak to that first, Roz.

**Ms. Roz Smith:** I have a one-word answer to that.

**Dr. Bob Bell:** It's probably similar to mine, but I'll probably make it 10 words.

The answer is, it's an evolving role. We're no longer interested in simply bringing as many graduates from other places to Ontario; no longer interested in expanding the medical school enrolment; no longer interested in figuring out how to get a new medical school functioning, getting other residency programs going. What we're interested in now is a perhaps more subtle and perhaps more difficult challenge, and that is, how do we—exactly what you said—ensure that every community across Ontario has access to the health human resources that it needs?

That continues to be a role with HealthForceOntario's capacity for data collection, for recognition of what the local resources are, for anticipation of what services should be in that community and with its understanding of the various inducements that can be provided to get folks to go to practise in those areas.

So I'd say yes, the role is evolving, but the role is still necessary or we'll always be faced with maldistribution.

**Ms. Roz Smith:** If I could just add to that, I think the question is important from the perspective of ongoing evaluation of what it is we do and the impact we're having. Even though we have a relatively short history in terms of our existence, we already have made significant changes at the agency in terms of what we do.

Dr. Bell mentioned that the initial reason for establishing the agency related to the recruitment of physicians primarily from outside of the province, and there was extensive activity and resources allocated to that. As we moved over the past eight years to stabilizing the supply within Ontario, our focus on recruitment from outside of Ontario has decreased significantly. So we're no longer in other countries to the extent that we were or in other provinces and/or territories to the extent that we were.

Another very significant change that we've made in response to the change in the environment is to expand our reach with internationally educated health professionals into other professions, such as nursing, physiotherapy, medical lab technologists etc., whereas previously we focused primarily on international medical graduates who were already living here in Ontario and interested in becoming licensed to practise in Ontario.

So to the extent that we are able to respond to changes in the system, evolve and identify how we need to change our operations to be more responsive to the needs of Ontario, we absolutely do that and we continue to.

**Mr. Percy Hatfield:** I know Windsor is deep in the process of trying to justify a new hospital and regional hospital merging, moving, relocating, whatever; yet I know when Soo was here earlier today, she suggested that dinosaurs are teaching in nursing school how to nurse in a hospital, but there are no nursing jobs opening up in hospitals; they're all community nursing jobs. When are we going to convince the educators to switch their focus from hospital-based nursing to community-based nurses?

**Ms. Suzanne McGurn:** Perhaps I'll just respond. Your comment is apropos and it is a conversation that actually is already under way. In my role as assistant deputy minister, I report to both the Deputy Minister of Health and to the Deputy Minister of Training, Colleges and Universities. We have a close working relationship with our colleagues. We also have a table of stakeholders of nurses that includes all of the nurse educators, including the colleges, the universities, as well as a range of nursing stakeholders, the community and the employers, and we have these conversations.

You are increasingly seeing placements outside of hospitals. We have conversations, and changes are being made to recognize that when I went through to be a nurse a hundred years ago, you learned medical complexity patients in an acute care hospital. There's just as good an example and as good an opportunity to learn now in long-term-care homes where there are medically fragile patients. So those conversations are happening.



Curriculum is being adjusted and it is increasingly being attended to.

I would also add that Dr. Bell mentioned in an earlier response that there's a need for lifelong learning. As we have different populations to care for in the future, whether it's mental health or the aging population, we are now finding new ways to collectively educate together. Just this fall, we held a summit—all educators, not just in one profession—on how to learn to provide care and teach differently to make sure we're caring better for the elderly, as an example.

**Mr. Percy Hatfield:** That's a good point because every week, as members, we get approached by different silos. The scope of practice is evolving. People want more ability, more authority to do different things in health care, so it's an evolving science, if you will.

What can we do to accelerate that so that nurses can do more, pharmacists can do more, nurse practitioners—all of the people who are saying they can do more and, therefore, improve the system, how do we accelerate the breaking down of those silos?

**Dr. Bob Bell:** What you're talking about is really a cultural change as much as it is a change in the scope of practice of professionals. Ontario is actually the leading jurisdiction in the world. It's been recognized by the World Health Organization for its attention to what we call inter-professional curriculum in our medical schools and residency programs.

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It's extraordinary, when you think about it, that we expect doctors, physiotherapists, occupational therapists, nurses and social workers to work together in teams when we train them in separate schools and they never see each other when they're in their training. Ontario has actually led the world in breaking that down. The first-year curriculum now at the University of Toronto medical school, which I know about best, is done in collaboration with the faculty of nursing and other schools. Certainly this concept is starting a culture early on of recognizing and, importantly, respecting the skills and the backgrounds of the various collaborating professions. It's probably a critical step to getting that flattening of silos and integration of care that our clients expect.

**Mr. Percy Hatfield:** You mentioned, Dr. Bell, that we don't do neurosurgery in Buffalo or Rochester anymore, but we still do cardio in Detroit. Detroit has bailed out many a patient from the Windsor-Essex county area when they've had emergencies. Is that something that you see as continuing, or is that going to come to an end at some point as well?

**Dr. Bob Bell:** As you know, the investment in angioplasty at the Windsor hospital is welcome and I think it's going to help to modify that.

**Mr. Percy Hatfield:** Oh, I'm sorry. So you've finished?

**Dr. Bob Bell:** Yes.

**Mr. Percy Hatfield:** All right. I know we're working on it. That's a good thing.

You also mentioned, I believe, that we're not doing as much now in doctor recruitment because the process is in place. I know in Windsor-Essex county the city stopped funding their recruitment officer, but the county continued. I imagine that municipalities across the province are still paying, at the municipal tax level, to recruit physicians to their communities. Is there a redundancy? Or should there be better coordination on physician recruitment across the province through your agency?

**Dr. Bob Bell:** Do you want to answer that?

**Ms. Roz Smith:** Yes, I would. We don't see that there's a redundancy. We have individuals called regional advisers who exist in each one of the local health integration networks. What they do is work with all of the physician recruiters in their particular geographic area, which crosses multiple municipalities. Some of those municipalities contribute financially to their own community recruiters and many others do not. Some of those community recruiters have responsibility for more than one municipality as well, or more than one geographic area.

What we do is we communicate with all of those within that particular geographic area. We share best practices. We connect new physicians with the opportunities in that particular area, and we do that provincially as well because there's an advantage to not only sharing information within a geographic area, but across the entire province. We don't replicate the services that are provided by community recruiters; we enhance and support what it is they do.

**Mr. Percy Hatfield:** Has the ministry or HealthForce Ontario taken a position? Or are you in any way studying LHINs and CCACs to see whether there's an opportunity for savings or money better spent by either merging or some new focus on those two?

**Dr. Bob Bell:** One of the ministry's main priorities over the next few years is to really focus on a modernization of home and community care. We spent a lot of time working on various innovations in the hospital sector and the acute care sector, but I think we recognize that home and community care has been somewhat dormant from the perspective of innovation. Those 650 contracts that I've mentioned—most of those have been in place for many, many years.

There are all kinds of innovations that have been introduced in home and community care—Telehomecare, for example, a way of monitoring somebody's diabetes care, somebody's blood pressure at home, talking to them over Skype. These are innovations that we started in Ontario, but they haven't scaled up tremendously well. I think it's fair to say that the organization of home and community care requires the expertise present in the CCAC and requires the planning skill necessary in LHINs. I think those functions are absolutely required.

We're expecting the expert panel, chaired by Dr. Gail Donner, to report back in January. This is a panel that has been requested to provide us with advice regarding modernization of home and community care, including structural change, if appropriate. But our anticipation is



that the services currently provided by CCACs—the estimation of the types of services required, the measurement of the degree of disability the patient suffers, what they require in their home and the best way to achieve it—are absolutely going to be required.

**Mr. Percy Hatfield:** The right mix of medical professionals at the right time in the right place, I guess, is probably one of the biggest challenges. What can we do to make sure that the mix is identified and encouraged in each of our smaller municipalities?

**Dr. Bob Bell:** That's an excellent question, because that complexity becomes greater as we look at inter-professional care. It's not just a question of the right number of doctors or right number of nurses; it's a question of the right number of various skilled professionals working together in a team-based model.

I'd say that over the last four years, five years, since the introduction of family health teams, with three million Ontarians now coming to be provided with primary care, we've learned a lot. The foundational investments have been made. The Auditor General has told us that perhaps the return on investment for that model needs to be enhanced, and we have plans under way to enhance that investment.

We think the structures are correct, and we think that what we've learned over the last five years with the development of inter-professional care will accelerate in the longer term, and the very thing you are suggesting will become a real focus for us: How do we make sure the right mix is there and provided in a team-based model, so the mix isn't dependent strictly on one professional—the requirements can move back and forth across an inter-professional team as the patient's needs change.

**Mr. Percy Hatfield:** I don't know the answer to this question: Do most hospitals have surgical rooms 24/7, or are they nine-to-five or 7 o'clock to 3 in the afternoon?

**Dr. Bob Bell:** The hospital I used to be CEO of had a total of nearly 40 operating rooms, of which there would probably be five or six running 24/7, mainly because it's a transplant and neurosurgical emergency hospital. So five of the 40 would be running 24/7, and the remainder would be running either 8 o'clock to 3:30 or 8 o'clock to 5 o'clock.

**Mr. Percy Hatfield:** Would it be cost-effective to make more use of the operating rooms, which I would think would reduce wait-times for any number of medical—I don't want to say "emergencies" but medical needs? Would it be cost-effective, or is there too much overtime involved or not enough staff? What would it be?

**Dr. Bob Bell:** It wouldn't be overtime as much as we'd be paying shift premiums. For example, staff who come in at 3:30 and work till 11:30 would have a small shift premium, not overtime. The issue is simply operating funding. How much funding can we afford for the hospitals? As you know, the cost curve has bent significantly. Hospitals used to have incremental funding of 4% to 6% per year, and that's been bent in the last couple of years where hospital base funding has been

held flat at 0% while still allowing hospitals to have activity-based funding that varies by the amount of activity that is undertaken.

This model has served to increase efficiencies at hospitals. What we call cost per weighted case, which is the final criteria for cost-effectiveness within hospitals, has improved with the introduction of new funding methods. It has also allowed us to target specific funding at specific aspects, wait-times being one of them or the introduction of new technologies being another. It has allowed us to target funding based on individual activities provided in hospitals, rather than simply increasing the hospital-based budget by 2% per year or 4% per year without asking what activity is actually being undertaken. To use the term "surgical," what goes on in hospitals today is a much more surgical form of planning.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes the first round. The next round will be 18 minutes per caucus, and we're starting with Mr. Potts.

**Mr. Arthur Potts:** Thank you, Dr. Bell. I appreciate your comments thus far. If I could maybe pick up quickly on Mr. Hatfield's comment about surpluses in the system, anecdotally, my godfather, Larratt Higgins, was the chief forecaster for Ontario Hydro, and he was in front of a committee very similar to this many years ago, talking about excess capacity in the hydro sector, when we had too much power. He equated it, at the time, to being much like Sir John A. Macdonald's consumption of gin: "Maybe a little too much is just the right amount."

Now, that's my question to you: Do you see us in a position here where it's a benefit to be a little bit over plan? Is it a precautionary benefit, or is it a problem for us going forward?

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**Dr. Bob Bell:** I thought you were going to ask whether our planning improved with our consumption of gin. The answer to that is that it's hard to tell, because physicians are expensive resources. Probably having a 6% surplus is something to avoid. Probably a small degree of surplus is appropriate. That's where this concept of inter-professional teams is so important, because it allows us to have a little more elasticity in our planning functions, in that we're not totally dependent on a single professional to provide care.

The other thing that we're very aware of is that, with current enrolments, if we were to continue at the same rate, our projection wouldn't be a 6% surplus; it would probably be a 10% surplus by 2027. That kind of swing in supply and demand is what we want to avoid.

**Mr. Arthur Potts:** Fair enough. Thank you.

**The Chair (Mr. Ernie Hardeman):** Mr. Rinaldi?

**Mr. Lou Rinaldi:** Thank you, Dr. Bell. First of all, I congratulate you and HealthForceOntario on the work that's done. As I said in my first stint here at Queen's Park, back in 2003, many of the calls I used to get in my constit office said, "There are no doctors around." I can say that, although there are some challenges in the north,



that's not an issue that we face—mostly for GPs; specialists are still a little bit of an issue.

Having said that, though, one of the issues—I have three hospitals in my riding, so that's a bit of a challenge of its own. But when I meet with the hospital chairs and CEOs almost on a monthly basis, there's still the issue about emergency docs. In some cases, they struggle sometime during the month; they put the SOS out. I'm sure you know all about this.

Can you tell me how HealthForceOntario is tackling that issue? That's a real, outstanding issue, I think.

**Ms. Roz Smith:** Well, thank you. That's an absolutely critical issue and, as I mentioned earlier, one of the higher-profile issues in which the agency is engaged. We've considered that we've made quite a bit of progress in the seven or so years that we've been in existence. There are significantly fewer calls indicating that there is a crisis because a physician is unavailable and an emergency department may close.

The other key aspect is that—last year is an example: We had 25 hospitals that participated in the emergency department locum program. Last year we also had 12 of those hospitals that successfully recruited physicians and were able to no longer have to rely on the program. Previously, in our early years—the first, second and third years of our existence—we had hospitals access the emergency department locum program and stay on the program for an extended period of time because they were not successful in recruitment.

A number of the recruitment initiatives that Dr. Bell and Suzanne have mentioned have led to successful recruitment of emergency physicians, to the point where our locum program really is an interim measure: a physician leaves, they initiate the recruitment process, they end up being successful in recruitment in one, two, three or four months, and then they no longer have to rely on it. There's more of a—I won't say revolving door, but there's more short-term access to our program than there was previously.

Another initiative that we are undertaking a lot more now than we did previously is providing consultative advice to emergency department chiefs, hospital CEOs and chiefs of medical staff within the hospital. With our seven-odd years of experience, we've had the benefit of learning from multiple hospitals what it is they do and what it is they do well, and we're in an ideal position to share that with other organizations.

Last year alone, there were close to 20 hospitals with whom we spoke that wanted to access our program. When we spoke with them, we identified what some of the areas of concern were. We helped them address those to the point where they were no longer requiring a locum physician, because we were able to share some of the practices that we have learned over the years.

Our primary objective continues to be to avoid the closure of any emergency department as a result of the absence of a physician, and we're doing that in ways beyond just providing additional physician resources to that emergency department.

**Mr. Lou Rinaldi:** Thank you. I think—oh, sorry.

**Ms. Suzanne McGurn:** I was just going to add: In addition, we do have some targeted education programs that are helping to bridge what was the problem in the past, where some practising family physicians didn't feel that they had the skill or knowledge. We have a number of programs now where we've been able to provide that training to physicians that has allowed physicians that already existed in the community to take on roles in the hospital or, as Roz says, actually be recruited to provide it on a more permanent basis.

**Mr. Lou Rinaldi:** Thank you.

**The Chair (Mr. Ernie Hardeman):** Mr. Dong.

**Mr. Han Dong:** Great. First of all, thank you very much for coming to the committee and giving us an update on some of the progress that your agency has done in response to the AG's recommendation. I was listening to your response to Mr. Hatfield, and in your response you talked about internationally trained health care professionals. Perhaps it's because I'm a first-generation immigrant or perhaps because my downtown riding houses many newcomers who are looking for opportunities in the health care sector—is it possible for you to elaborate? I paid attention to what you said about the effort to recruit internationally being suspended or turned off—sorry; am I wrong?

**Ms. Roz Smith:** Reduced.

**Mr. Han Dong:** Sorry; it just kind of declined. Exactly. Your focus has been moved to how to better integrate the existing local immigrant perhaps to other services. Can you elaborate on that and just tell us what else you're doing to help them to integrate in the system here?

**Dr. Bob Bell:** Maybe I'll just start off by mentioning that we have about 1,000 students a year who go on to training—post-medical school training—as residents who are trained in Ontario's or Canada's medical schools. Last year we took 220 folks who had international medical training into residency training in Ontario's residency programs. So the program is actually as big as it ever was, but the focus—you're quite right—is more on physicians who have arrived here now looking to start a medical practice as opposed to actively recruiting folks to come to the province from outside its borders.

In terms of how that program has evolved, Roz, can I turn it over to you?

**Ms. Roz Smith:** Yes, absolutely. In the years that we have been in existence, we have had the opportunity to speak to 15,000 internationally educated medical graduates. The communication we have had with them covers a broad range. We have a fairly comprehensive website and we have individuals from across the world who access our website.

We have Skype sessions. We have been doing that for the past few years, and we have individuals, again, in other countries who access those services. We have webinars, and then, of course, we have in-person sessions that are both one-to-one and group. So the 15,000 that I



mentioned encompass all of those various types of interaction.

**Mr. Han Dong:** How successful is it?

**Ms. Roz Smith:** We've been very successful. Of those that we've seen, over 2,000 of our clients have been successful in either being licensed to practise as a physician, or have chosen and have been successful to move into an alternative career, whether that's a medical lab technologist or a pharmacist etc.

**Mr. Han Dong:** How much time do I have, Chair?

**The Chair (Mr. Ernie Hardeman):** Nine minutes.

**Mr. Han Dong:** Nine minutes? Okay.

Can I quickly ask another follow-up? We talked quite a bit about the inadequate service in the northern or rural communities. Is there, in your mind, any way that we can encourage these internationally trained health care professionals to look at moving into those communities, because to them, the effort—well, I'm not saying that the effort of adapting to an urban environment is the same as adapting to a rural environment, but they do have to settle. For them, maybe it's more beneficial to settle in an environment where they have very little chance to use their native language. Maybe it's better for them to practise and learn the culture here in Canada.

1400

**Dr. Bob Bell:** I think that represents the evolution of the challenge that we have and that HealthForceOntario is responding to. Previously, we had communities across the province that had an insufficient supply of doctors, so the return-of-service obligation, which is five years of committed practice in an environment, is in response to being admitted as an internationally trained graduate to the Ontario workforce.

We had a five-year commitment, but that was a very broadly distributed return-of-service obligation. We're thinking now, as communities across much of Ontario become better served, that we can start focusing it now in areas where there's a real shortage.

Some of the challenges, of course, relate to the fact that folks come with cultural challenges, and the smaller communities perhaps represent an even bigger cultural challenge. But it's a wonderful opportunity to be a doctor in this province. We think that a return-of-service obligation can certainly be applied to target folks to the place where they're needed most, so we're looking into that now.

**Ms. Suzanne McGurn:** We're also looking to support others. The Nursing Graduate Guarantee that folks are aware of through the report has been expanded to support internationally educated nurses as they transition in which, again, will help them settle into a community differently.

We've been working collectively with the agency and with our federal counterparts to do some research on what actually are indicators and strategies that can be used to help internationally educated or new-to-the-country individuals to better move into practice. That's something that the agency is working very closely with us on.

**Mr. Han Dong:** Great. Thank you.

**The Chair (Mr. Ernie Hardeman):** Mr. Potts.

**Mr. Arthur Potts:** Yes, if I can. At the end of your remarks, Dr. Bell, you talked a bit about the population-based models that you're moving forward with. When you do your assessments of population, are you taking into account seasonal variations?

I'm thinking particularly about university towns. I had a group of students through here yesterday who talked to me at length about mental health in universities and physical health issues. Their primary care doctor will be back in the city where they live with their parents for four months of the year, but when they need care during the high-stress period in the university, they're not allowed to access care because their primary practitioner is elsewhere.

As part of this modelling, are we looking at university health, student health?

**Dr. Bob Bell:** That's a great question. Thanks for that. A couple of weeks ago—10 days ago—the minister announced the mental health advisory council, which is going to help us to drive the mental health strategy, which we recognize is a really big needed element of the health system.

One of the big pieces of that is, this is an interministerial, whole-of-government approach to a mental health strategy. It includes the Ministry of Training, Colleges and Universities, because one of the most common presentations of serious mental health problems, and one of the most common cases where psychotic illness presents, is at what we call the "transitional age," from adolescence to early adulthood.

Oftentimes, the stress of first-year and second-year university or exams at Christmas is the first sign of somebody demonstrating severe depression, or even schizophrenia. You're absolutely right: away from home, in a stressful environment. We need to ensure that our university population has access to appropriate mental health services.

That's certainly better today than it was five years ago, but it needs to be a very significant part of the interministerial approach to the mental health strategy that we're adopting now.

**Mr. Arthur Potts:** Thank you. I appreciate that.

**Ms. Suzanne McGurn:** I would just add that one of our nurse-practitioner-led clinics is actually very closely related with an educational facility and does serve that kind of population, so there are emerging models that we will hopefully be able to build on in the future.

**Mr. Arthur Potts:** How much time have we got?

**The Chair (Mr. Ernie Hardeman):** You have about two minutes.

**Mr. Arthur Potts:** Well, maybe expanding on that, then, outside the university sector: tourism issues, as you get into the north and the cottage period of time where people are experimenting with water sports and a whole series of other things.

I know that up where we have a place, in Dorset, the nurse practitioner's station is coming, we hope, soon. To



have a fishing hook taken out of an earlobe and not have to drive to Huntsville for it would be a real benefit in that community. Can you maybe comment on those kinds of seasonal patterns?

**Dr. Bob Bell:** Yes. There's no question that our colleagues who run advanced practice, nurse-practitioner-like clinics in some of the more rural areas of the province provide a wonderful service. The further away you get from high-density population areas, the more likely it is that primary care will be provided by a nurse rather than by a doctor. This is a very flexible model, as you recognize.

Also, those places that you're describing, with a seasonal population variation—there's a big demand on emergency departments, as well, where nurse practitioners play a role now—a very significant role—in managing lower-acuity, so-called CTAS 4 and 5 patients as they come into emergency departments. Certainly, that's a great example of the expansion of scope of practice for nurse practitioners really serving as a very useful expander to service in areas that have a seasonal variation in population.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes your time. Ms. Munro.

**Mrs. Julia Munro:** Thank you very much for coming here today and giving us such good insight into this whole area. I want to take our conversation further on in the work of the Auditor General and looking at particularly the areas around nursing and the initiative of the Nursing Graduate Guarantee program.

Obviously, this goes back to a political decision that 9,000 full-time nurses—but when we look at the information that is provided, it seems that, in fact, when you go from the fiscal year 2007-08 to 2011-12, we actually see quite a dramatic decrease in the number of people who have participated; the lowest is 35% participating. At the same time, obviously it comes with a price tag, so you're looking at the lowest year with, I think, not quite the highest amount of money but close to it.

This is a two-part question. One is, obviously, why isn't this working the way that it was intended? I understand it to have provided for 26 weeks with the idea that at the end of the 26 weeks the individual would blend into a full-time position. So the question around that part of the program, and then the second one on the cost of the program and what that reflects, because it seems to go in the opposite direction than you'd expect.

**Dr. Bob Bell:** Maybe I'll start off and simply mention that the uptake and then the decline in the number of new graduates enrolling in the new Nursing Graduate Guarantee relates to the success of HealthForceOntario's various initiatives. When this program started, the nursing workforce of Ontario was characterized by a fairly small proportion of nurses who actually had full-time roles and, I would say, an excessive reliance on part-time and casual workers.

The Nursing Graduate Guarantee said, "We will only provide funding for the nurse to have this period of training and orientation if there is a full-time job guarantee."

Because of that, the proportion of our nurses who have full-time status in our hospital sector—and I agree with earlier comments that we need to focus this into the community sector now. The number of full-time employees is approaching 70%, which was a target. It's not quite there but it's pretty close. That has decreased the demand for new nurses or the vacancy-driven demand in our hospital sector.

The workforce is much more reliable as a full-time workforce and the volatility of the workforce by nurses changing positions within casual pools has dramatically decreased. I'd say that the decline in the enrolment in this program relates to the success of the program in solving the large problem that we had at the start.

Suzanne, do you want to add to that?

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**Ms. Suzanne McGurn:** I would just add that it's important to understand two aspects of the program, one of which is that there were jobs available at the time, and as other initiatives, such as the expansion of nurses through the 9,000 program etc.—nurses were able to move into permanent full-time or part-time jobs and in some of those cases they did not have a need to participate in the program.

The benefit that the program gave as one of its key considerations is that recruitment within hospitals is often not at the point in time at which nurses graduate, but over a period of time, the successive few months, there would be an opportunity for jobs. The benefit of the Nursing Graduate Guarantee program meant that a graduating nurse who was likely to be hired by an employer on a permanent basis, hopefully full-time but at least permanent part-time, had the opportunity to go to work in an organization such as UHN, as an example, and gain that experience during that up to six months in a full-time way. Prior to that, they would have been waiting at home to be hired without that experience.

Again, just to support the comments from Dr. Bell, the actual matching of it was never intended to be that there would be a job for every person. It was to provide an opportunity that where there were likely to be jobs and there was an intention to have a permanent job, preferably full-time, nurses were able to transition more smoothly and in a supportive environment where they got to learn, rather than being in a casual pool where we were seeing great attrition rates from hospitals because it wasn't a welcoming atmosphere to move into this very complex health care environment. I hope that's helpful.

**Mrs. Julia Munro:** Now, in responding to the auditor's recommendations and the suggestion about monitoring the employment trends and assessing the reasons for the decline and things like that, would you then sort of tick a box that this has been successful and would you be re-evaluating the need, and obviously the cost and so forth?

**Dr. Bob Bell:** I think the issue is very successful in terms of solving the problem of dramatic vacancy issues limiting access to care within our hospital sector that were present in 2004, 2005 and 2006, where literally



patients' operations would be cancelled as they waited in the anteroom to surgery because insufficient nurses were available to provide that care. Those kinds of problems just don't happen any longer.

What we do see now is the issue of the flexibility of the workforce, the specialization of the nursing workforce, which is really an important element, and also the relative volatility of a workforce that relies on young people, predominantly women in their child-bearing years, to provide the really major part of the workforce in our hospitals.

So acute planning is a crucial issue. It's mentioned in the Auditor General's report that the hospital that I used to work at was being engaged to provide a short-term forecasting tool where the nurse managers in all the units at that hospital will go around and say, "Anybody planning on leaving in the next six months?" It seems like a straightforward thing, but if you have six months' notice for somebody who's going to deliver their baby, you can afford to actually provide a replacement as opposed to finding out two weeks before they tell you they're going on pregnancy leave. And that actually used to happen. It's hard to believe that in a health care system we wouldn't anticipate pregnancies, but we didn't, believe it or not. And it's not just pregnancies; it's also leaving town for family reasons or retiring for a short term for child care reasons. That kind of a proactive approach, that tool, is now being used across hospitals, and it's been quite useful in terms of short-term planning for nursing vacancies and allowing hospitals to proactively recruit so that an oriented staff member is available when the former staff member goes on leave.

**Ms. Suzanne McGurn:** I would just add—it was included, I think, in our response—that we actually have launched, or were launching at the end of the auditor's visit to our area, a new actual management model that allows us to collect information: a lot of the questions about what happened and why we didn't have the information. That model's now been in place a year and we are able to start answering those questions, doing analytics and being able to make recommendations to change the program based on what we learn from it.

**Mrs. Julia Munro:** You've provided me with the perfect segue to my next question. In looking at that kind of modelling, which it is clear to all of us is necessary—it's the computerized version of the crystal ball, I think. The point is, though, that I, as an observer, would comment that there are still a lot of barriers.

We talked earlier about the silos, and we talked about the independence of some of the players. They have separate funding streams, or there are historic funding streams that make no sense whatsoever, in my opinion. There are obviously a number of those kinds of things.

I just wondered if you would comment on the modelling that you are doing, obviously recognizing that these are the kinds of obstacles you have. Is there a best case that you see, where in another jurisdiction or something like that, people seem to have done better?

The final part of my question is, one of the things—and I stand to be corrected because it was years ago—when Cancer Care Ontario was very active, not to say they aren't now, but in the earlier part of their history, they were able to collect information from hospitals and make sure that wait times were reduced by the ability to go to a different hospital. Is that a model that can be made into the care in other medical circumstances?

**Dr. Bob Bell:** I'll start with your latter example related to the cancer system. As the chair of the Cancer Quality Council in Ontario for four years, I'm proud to help start that system off.

It's extraordinary what can be achieved with a system of performance management, where you collect accurate data related to wait times—not only related to wait times, but also related to the number of lymph nodes being removed with a colorectal cancer, seriously, or what the surgeon's independent personal rate of prostate cancer positive margins is, and you make that information available on publicly accessible websites.

To give probably the best example, the rate of positive margins in prostate cancer surgery, which is a big indicator of whether the cancer is removed completely at the time of surgery, used to vary across this province from about a 13% positive rate, which was an international best practice, to about 50%. After that information became publicly reported, within a year, that variability had dropped dramatically. That kind of performance management at an individual level, as well as the kind of performance management—when I was vice-president of Princess Margaret Hospital, I'd have a meeting with Cancer Care Ontario quarterly where they'd say, "Why are your wait times for ovarian cancer surgery beyond the level 2 limits?" And I'd go back and ask the ovarian cancer surgeons, "Why are those wait times?"

So you're absolutely right. That kind of performance management is something we want to introduce across the health care system so that when we ask, for example, our leaders of LHINs, "What proportion of patients in primary care get access to their primary care providers within 24 to 36 hours if they're ill?" we can expect that our LHIN leaders will have the answer and they'll be able to tell us which primary care practices provide access and which don't.

We'd anticipate in the next few years that information will become available on publicly reported websites, and I think that will be a big inducement to an improvement in primary care. Dr. Hoskins is entirely supportive of that approach, and that's part of the strategy that we anticipate.

**Mrs. Julia Munro:** I think it's very exciting to hear about that.

**Dr. Bob Bell:** Thank you.

*Interjection.*

**Mrs. Julia Munro:** Oh, five minutes.

Did you have anything else you wanted to add? I have to find my notes.

**Mr. Bill Walker:** Yes. So a commitment to hire 9,000 nurses—and I think they said there were about 7,500 or



7,300 hired. Can you just tell us why, when there's such a number of nurses apparently unemployed, we haven't hit that?

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**Ms. Suzanne McGurn:** I think there are a couple of things to be aware of. There are two programs, one which is very targeted investments for new types of nurses and new roles in the health care system that were funded under the 9,000 nurses, as well as, there were general health care increases to hospitals, to the community etc. Both of those changes were contributing to the higher employment of nurses. In fact, we have more than exceeded the 9,000-nurse commitment. In our most recent information we have, I believe, 13,000 or 15,000—with apologies, over 20,000 new nursing positions since the initiative started. We've met our 9,000-nurse commitment specifically, as well as we have enhanced nursing positions being created.

Some of the things to be aware of as far as the point in time in which the audit was done: A number of the 9,000 nursing initiatives were just rolling out, so all of the positions had not yet been filled. That does reflect in some of the differences in numbers that you see in the report versus the overall where we are at this point in time. But again, if you use nurse-practitioner-led clinics as an example alone, the establishment of 25 nurse-practitioner-led clinics created over 120 nursing positions, and not just nurse practitioners but other nursing roles as well. We had navigator positions that were able to go into people's homes immediately following discharge from hospital to be able to assist with planning in a more timely fashion that would allow interventions to prevent patients from going back to emergency departments.

There were other nursing initiatives like that that, over the course of time, people had to staff up for, and it was recognized that in some parts of the province, the actual ability to recruit nurses or NPs—they had to wait for a graduating class, and then they used the Nursing Graduate Guarantee, or otherwise, to be able to fill those programs

**Mr. Bill Walker:** Okay. I'm probably going to run out of time on your behalf to be able to answer this, but I think it should at least be addressed before—we probably won't get to speak again. The auditor's recommendation to improve financial oversight: Can you give me a bit of a snapshot of the ministry's steps that you've taken to improve financial oversight of funded organizations and particularly the recovery of unspent funds?

**Dr. Bob Bell:** Yes. In-year cash management has become an increasingly important focus for us. Each year, the gross amount of recovery has reduced because we're—sorry. The prior years' recoveries—that is, recoveries from previous years—have reduced because we're doing better in-year cash management. That has been recognized as an important element. Whether it's for the Nursing Graduate Guarantee or whether it's for activity-based funding provided to hospitals based on achieving 150 cases where only 130 were achieved,

we're doing a much better job now of recovering that, oftentimes based on Q2 interim analysis. Where hospitals are obviously not going to hit their targets, we'll do recovery in-year. When that's not possible, when we're waiting for the full-year and understanding the expenditures and the activities for that full year, we'll do a recovery early in the subsequent fiscal year. Our performance in that regard is improving.

**Mr. Bill Walker:** Okay. One last one: I read just further into the report. Certainly, the ability to have enough hospital surgical suites to be able to perform the surgeries that are needed—there are wait-lists in a number of different areas. Yet there seems to be a movement to look particularly at rural and small rural Ontario northern hospitals, and shut them down. In many cases, you have that surgical suite, you have the availability, yet you're going to cut them down, which to me would suggest that you're going to have an even larger backlog and wait-list for those types of things.

**Dr. Bob Bell:** That's an excellent question. Thank you, Mr. Walker. The issue of wait-lists does not currently vary with available human resources, nor does it vary with available operating suites. It varies based on available operating funds to hire people to work in those suites. The staff are available; the surgeons are available; and, generally speaking, the operating rooms are available, as we mentioned to Mr. Hatfield. We're not running our operating rooms much past 3:30 or, at latest, 5 o'clock. So the issue is not the capital stock; I'd say the capital stock is underutilized. The issue is operating funding and targeting our scarce operating dollars toward those wait times that are most crucial for patients. That's the activity-based funding direction that we're taking.

In terms of closing operating rooms in smaller rural hospitals, this is a real issue. You come downtown to see Mamma Mia!; would you not come downtown to get your brain tumour operated on? The issue of quality with today's technology is a real issue. Small and rural hospitals have increasing problems keeping the specialists with sufficient volumes of activity to maintain excellence and competence.

**Mr. Bill Walker:** If I may—

**The Chair (Mr. Ernie Hardeman):** That's the end of the time. The rest of it will go to the third party: Mr. Hatfield.

**Mr. Percy Hatfield:** Good afternoon, Mr. Chair. I haven't said good afternoon to you this afternoon.

**The Chair (Mr. Ernie Hardeman):** Good afternoon.

**Mr. Percy Hatfield:** Dr. Bell, earlier I believe you said that 6% of people in Ontario—it's in the Auditor General's report—lack family physicians. That was then; I'm just wondering what the number is now and what we're going to do to fix it.

**Dr. Bob Bell:** Yes. If we look across all the 14 LHINs in Ontario, the average is, to turn the statistic around, that about 92% of folks have access to a primary care doctor they consider to be their own. The issue is with the remaining 8%. Many people don't want a family doctor; young males in particular, prior to middle age, don't tend



to want a family doctor. So the issue is the proportion of people who want access to a family doctor and don't have access to them.

The other issue is that many people in urban environments choose not to go to a family doctor; they choose to go to walk-in clinics to get access to their medical providers.

**Mr. Percy Hatfield:** Do they choose to do that or is that their only option other than going to emergency?

**Dr. Bob Bell:** I'd say that, quite often, folks do have a family doctor but they don't have the access they want to their family doctor. An appropriate standard of care is that if you're sick and you feel like you need to see your family doctor, you should be able to see him within 24 to 36 hours. If you're busy, if you have a young family and you don't want to wait, it may be easier to go to a walk-in clinic than to wait for three or four days for a family doctor.

We have two issues right now. One is the maldistribution of family doctors to get that last few per cent who want it access to a family doctor. The second, and probably more important to this point, is to have a model of practice in family medicine that says, "If you want access to your doctor within 24 to 36 hours, you should be able to achieve it." That's probably the bigger challenge, I think.

**Mr. Percy Hatfield:** I believe you mentioned that we still have a shortage of psychologists and psychiatrists. What are we going to do to attract more of those specialists, especially for children and youth?

**Dr. Bob Bell:** Yes; great question. That's where Suzanne's relationship with the Council of Ontario Faculties of Medicine is so important, because that's where the target is set for the number of psychiatry training programs, for example, that we're going to be admitting postgraduate medical graduates to. That's one of the issues.

The other issue is to ensure that our psychiatrists, like other members of the interprofessional mental health team, are being used appropriately. There are a lot of different roles that can treat mental illness. There are social workers, nurses—a variety of different folks can. Psychiatrists tend to treat folks with severe mental illness that requires drug therapy; that's probably the role that they provide the best. Ensuring that folks with severe mental illness who need the services of a psychiatrist and also are seeing a psychiatrist within the team-based model is a change that we're making, but it needs to continue and happen faster.

**Mr. Percy Hatfield:** Are you aware of which regions in the province have the biggest shortage?

**Dr. Bob Bell:** Yes.

**Mr. Percy Hatfield:** Which regions are they?

**Dr. Bob Bell:** I can give you that information, with a little bit of time. There was a paper published by the Institute for Clinical Evaluative Sciences in Ontario that looked at the regional supply of psychiatrists about six months ago. In addition to the data we have—I don't

have the numbers at my fingertips. I can tell you which has the best supply of psychiatrists.

**Mr. Percy Hatfield:** I don't think it's Windsor.

**Dr. Bob Bell:** No, it's not. The Erie St. Clair LHIN was actually one of the poorer-supplied areas; you're absolutely right. Child and adolescent psychiatry is a real need in that area.

**Mr. Percy Hatfield:** Why are there so many cardiac surgeons working as surgical assistants? Why do 34% of cardiac surgeons consider themselves underemployed?

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**Dr. Bob Bell:** Yes. Going back to the issue, I got some data on the issue of cardiac services in the Windsor region. As you know, Minister Hoskins announced \$3.2 million for the extension of cardiac cath services when he visited Windsor in July, and I think that's going to make a big difference to the number of folks who need to go across the border when they're having acute cardiac conditions.

The number of cardiac surgeons working as surgical assistants is an interesting issue. We probably have trained a few too many cardiac surgeons.

But going back to the issue of the rapid change in medical practice, there were a couple of papers published in the last three years that have demonstrated that, in patients with diabetes, the use of intravascular stenting procedures that unblock blocked arteries by the use of balloons and putting in little metal stents is probably not as effective as cardiac surgery for the management of diabetes. If the Auditor General were to repeat her review two to three years from now, we'd find that we may have a shortage of cardiac surgeons, and that diabetics, who constitute a huge proportion of patients with unstable heart disease, are now being sent back to the cardiac surgeon as opposed to having taxol-coated stents put in in the cardiac cath lab.

In these rare—not rare subspecialties, but in these narrow subspecialties, a small change in practice can mean an overwhelming shift in demand for human resources that can go from being a surplus to being a deficit in a short period of time. Right now, I think we're probably at about the right number of cardiac surgeons. I understand from colleagues that they're getting jobs now.

**Mr. Percy Hatfield:** We keep hearing the government say, "We're hiring a whole bunch of nurses." That little angel on my right shoulder says, "Good," and the bad angel on my left shoulder says, "If so, maybe, but why are so many working part-time hours or just casual hours?"

**Dr. Bob Bell:** Certainly part-time work is oftentimes that folks want part-time work. That's often the case with people looking after young families. They'll choose part-time work.

The proportion of full-time nurses in Ontario hospitals approaches 70%. I can't remember the exact—

**Ms. Suzanne McGurn:** We're at 64% right now.

**Dr. Bob Bell:** Is it 64%? Okay, I was wrong.



**Mr. Percy Hatfield:** I think, according to the report, that there were 15,576 hospital nurses working part-time and 4,552 hospital nurses just on casual.

**Ms. Suzanne McGurn:** Maybe I'll just add a comment. Early on in one of my answers, I reflected that we do collect over 50 elements of data as part of the membership renewal through our regulated professions. One of the pieces of information that is new this year is where people are able to indicate if they are in the type of work that they prefer and if they are seeking opportunities. We've had, in the past, conversations and evidence about people wanting to work full-time but never knowing exactly where the right percentage is. For the first time, we actually do have much more accurate information: Are people working in what they want—full-time, part-time or casual—and, of those, are they looking for other work in the next category?

It's a one-time piece of information for us right now, but we do hope, over the subsequent collection of that same information, to be able to better answer some of the questions you're raising about whether they are the wrong kinds of jobs or whether, in fact, the targets are reflective of what people's choices and preferences are.

**Mr. Percy Hatfield:** So at this point you haven't analyzed that? You don't have the numbers of people who say, "I'd like to be working more"—

**Ms. Suzanne McGurn:** We have one year's worth of information from the College of Nurses, yes.

**Mr. Percy Hatfield:** And have you analyzed it to say that a certain percentage of them want full-time?

**Ms. Suzanne McGurn:** We do have that information. I can't tell you off the top of my head. If you give me a minute, I might be able to find it, but that information is available. We're much closer to people's preferences, perhaps, than the targets that we've set at this point in time. Again, it's the first time, so it's a first point of data.

**Mr. Percy Hatfield:** It's not in the Auditor General's report, but I met with nurses recently, and they've asked me to raise the question of equal pay for work of equal value. You get trained as a nurse, you come out and you get some experience, but the pay scale is different if you're working in a hospital versus a long-term-care home, for the VON or for another community agency such as the CCAC, for example. They're wondering why, if you had the same training and the same skill set, the variations in pay are so varied.

**Dr. Bob Bell:** The model of work life in the community is complex, with a lot of different employment models. As I mentioned earlier, there are 650 contracts—more than that—that community care access centres have with health service providers in the community. The variability of unionized versus non-union work within those 650 contracts, the variation in benefits and pay, the variation in whether staff are paid for travel time between residences—you're right, there's an awful lot of variation.

I think it's fair to say that we've got a lot of that information together for one of the first times now, and we're analyzing that, as we really focus on home and

community care as an area of priority, to try to better understand the variability and try to understand how we can bring some standardization to the community care area. I'd agree with you that it needs work.

**Mr. Percy Hatfield:** Dr. Bell, earlier you suggested that perhaps the best information available at this point might be 50 surplus orthopedic surgeons. I'm just wondering how we can exploit that. I mean, people have the skills, and if we want to reduce the wait-list—if you're waiting 11 months for forefoot surgery or nine months for cervical disc surgery, what would it cost for some of these surplus orthopedic surgeons to clear up the backlog of all those people waiting 11 months or nine months for surgery?

**Dr. Bob Bell:** It's interesting. My experience in cancer wait-time management and orthopedic wait-time management suggests that there is a preference for waiting in some things. I won't tell you that people want to wait a year for forefoot surgery, but if you've got nagging pain in your hip and somebody tells you that you're going to have surgery four to five months from now, that probably feels about right in terms of organizing your life and organizing the post-operative regime or rehabilitation you need etc., whereas if somebody tells you you need a colorectal operation, you want that done. That's how our system is aligned. It's really aligned with wait times that reflect severity of illness.

You might say, "How well are we doing with that allocation of resource? Are we targeting it appropriately?" Probably one of the best ways to tell that is to look at patient outcomes. How well are our patients doing?

It's hard to get international comparisons on outcomes, but there was a very important publication in December 2011 that looked at outcomes for five of the most common cancer illnesses across western countries: England, the Scandinavian countries, three Canadian provinces including Ontario, Germany, France—about 10 different wealthier countries. Of course they couldn't compare the United States, because the basis for comparison was that it had to include all the patients in the population, and of course American registries only cover well-insured patients, or about two thirds of the population.

Members would be really pleased to know that Ontario came out on top of that comparison, along with Manitoba and British Columbia, for colorectal cancer, lung cancer, ovarian cancer and prostate cancer. We were at the top of the list. It suggests to me that we are targeting our resources appropriately for diseases where rapid access to treatment makes a difference.

We know that in 2001, when we were sending patients to Buffalo and Rochester for breast cancer radiation, we were not targeting our resources properly. But I'd say these patient-based outcome measures looking at survival from cancer suggest we are. I think that if we look at the Western Ontario/McMaster outcome studies for hip and knee replacement, our patients are not suffering from waiting up to six months for their surgery: 90% of surgeries are completed within six months. When we



look at the so-called WOMAC scores, we have some of the best post-operative WOMAC scores in the world.

I think the question is not so much how long you wait, although it's inconvenient sometimes. The most important question is, what is your outcome from care for surgical outcomes? I think we're targeting our resources pretty well, with close measurement of outcomes.

**Mr. Percy Hatfield:** I'm not really disputing that. I guess I'm just wondering: If you have an equation, if you have the number, many people are on backlog, on waiting lists for those two types of surgeries, and you have the 50 surplus orthopedic surgeons, can somebody come up with a number—I'll pull one out of the air: \$1 million or \$2 million—and then take that to the minister and say, "You know, you've got I don't know how many thousands of people who are waiting, but for a couple of million dollars you can clear that up." Is that a good political decision? Then it becomes a political decision, I guess, in adding more operating funding or operations funding to any given hospital or in more than one.

**Dr. Bob Bell:** You know, that question of resource allocation is one that goes on not only at the level of the Ministry of Health, but it goes on in the LHINs and individual hospitals, trying to figure out where the next incremental dollar gets applied based on the evaluation of patient need that's taken to the board on an annual basis as a governance element of what represents community need the most.

I'd say that if we looked at where the next incremental dollar should go in Ontario, it probably shouldn't go toward providing more—with respect, Sir—surgical care; it should probably go toward community care. We think that keeping people with complex medical diseases at home, in the environment they want to be kept in, is probably the place that needs the most attention.

**Mr. Percy Hatfield:** I wouldn't disagree, especially after hearing about all of the cutbacks and proposed cuts in service through our CCAC in Windsor lately. I think that's being resolved to some point, but there are still glaring examples out there that keep coming into my constituency office on a daily basis.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes your time too, Mr. Hatfield.

**Mr. Percy Hatfield:** Well, good afternoon to you too.

**The Chair (Mr. Ernie Hardeman):** That does conclude the time that we have for this presentation. Thank you very much for taking the time to come in and talk to us. It will be of great assistance as they review the auditor's report.

**Dr. Bob Bell:** Thank you. I appreciate it very much.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. We will just wait for a few minutes. We do have to have a briefing after this. If there are going to be discussions, if you could take them outside the door, that would be much appreciated.

*The committee continued in closed session at 1443.*





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Mr. Rudolph Chiu, director, Office of the Auditor General

#### **Clerk / Greffier**

Mr. William Short

#### **Staff / Personnel**

Ms. Erica Simmons, research officer,  
Research Services



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## Legislative Assembly of Ontario

First Session, 41<sup>st</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 11 March 2015

# Journal des débats (Hansard)

Mercredi 11 mars 2015

## Standing Committee on Public Accounts

2014 Annual Report,  
Auditor General:

Financial Services Commission  
of Ontario

## Comité permanent des comptes publics

Rapport annuel 2014,  
vérificateur général :

Commission des services  
financiers de l'Ontario

Chair: Ernie Hardeman  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Wednesday 11 March 2015

Mercredi 11 mars 2015

*The committee met at 1231 in room 151, following a closed session.*

2014 ANNUAL REPORT,  
AUDITOR GENERAL  
FINANCIAL SERVICES COMMISSION  
OF ONTARIO

Consideration of section 3.03, Financial Services Commission of Ontario.

**The Chair (Mr. Ernie Hardeman):** Here we are. We'll call the meeting of the Standing Committee on Public Accounts to order. We are meeting this afternoon to give consideration to section 3.03, Financial Services Commission of Ontario: Pension Plan and Financial Service Regulatory Oversight from the 2014 Annual Report of the Auditor General.

We have people here to brief us on section 3.03 of the report. We welcome you to the committee. You will have 20 minutes or so to make your presentation and then we'll have questions from the committee. We'll do the questions in a 20-minute rotation. We will start with the third party.

**Ms. Catherine Fife:** This morning I was told that the PCs would be starting.

**The Chair (Mr. Ernie Hardeman):** If that's the way you would like it, we have no—

**Mr. Jim McDonell:** It's just that—

**The Chair (Mr. Ernie Hardeman):** It doesn't matter where we start because everybody gets equal time. If you wish, we'll start with the official opposition and then we'll go to 20-minute rotations. At the end of the 20 minutes, we'll divide the remaining time equally for each party and then make the rotation in that.

With that, thank you very much for coming in. If you would identify yourself as you start to speak for the Hansard record so we can keep track of it. You only have to introduce yourself once and then they'll keep track of who's speaking—

**Mr. Brian Mills:** Okay. That's great.

**The Chair (Mr. Ernie Hardeman):** —and keep the microphone in the right address. With that, welcome. The floor is yours.

**Mr. Brian Mills:** Thank you, Mr. Chair. My name is Brian Mills. I've been the interim CEO and superintendent of financial services at the Financial Services Commission of Ontario since October. I'd like to start by

thanking you for the opportunity to address the Standing Committee on Public Accounts with respect to the Auditor General of Ontario's annual report, specifically on section 3.03, Financial Services Commission of Ontario: Pension Plan and Financial Service Regulatory Oversight.

With me today on my left is Anatol Monid. He is the interim executive director of the licensing and market conduct division. He was appointed to this position in October and has been with FSCO since 2005.

To my right is Lester Wong, who is the interim deputy superintendent of the pension division. He was also appointed to this position in October. He has been with FSCO since 2009.

Ms. Shonna Neil, on my far left, is the director of the licensing branch in the licensing and market conduct division and has been with FSCO since its inception in 1997.

Finally, I'd like to thank the Auditor General of Ontario, Bonnie Lysyk, for her report and appreciate her advice to strengthen financial services regulation in Ontario.

Let me give a little bit of background on FSCO. It was established under the Financial Services Commission of Ontario Act, 1997. Its mandate is to provide regulatory services that protect the public interest and enhance public confidence in regulated sectors.

FSCO is a cost-recoverable agency. The majority of FSCO's costs are recovered from the regulated sectors through a combination of assessments and fees. FSCO's structure is comprised of a five-member commission, a superintendent of financial services and his staff, and a financial services tribunal.

FSCO's presence and responsibility are on a broad brush across the industry. There are about up to 500 staff at FSCO. We have an annual budget of approximately \$100 million. We regulate nine sectors. The entities we regulate are either individuals or businesses, and there are about 75,000 of them. We have over 7,000 pension plans that are registered in Ontario, and there are four million members in those pension plans. The assets in those pension plans are about \$520 billion.

It's in FSCO's interest that our regulation of pension plans and financial services continually improves to keep pace with the evolving marketplace. Integrated financial regulation is increasingly important in the global connected economy. Such an economy brings with it the promise of greater benefits for Ontario's financial services sectors, but also a potential for greater risk.



We learned this in 2008 with the financial crash, and it had devastating results for parts of the world. It gave us an indication of what the absence of integrated regulation can produce. Canada and Ontario did quite well and weathered the storm—not without a few bruises. The role of effective financial services regulation cannot be understated.

Our role at FSCO is to supervise the sectors to make sure the public interest is protected, to enhance public confidence in these sectors. We ensure that the regulated entities follow the law, that they are qualified to enter the financial services marketplace, and that they have the expertise to provide the products, benefits and services to consumers and pension plan members.

We don't just focus on regulated entities; we also work to make sure the public is equipped to make well-informed decisions about their products, mortgages, pension plans, insurance and other financial products. As a financial services regulator, it's our role to make sure we have an overview of these regulated sectors. We use the information we collect from these regulated entities to anticipate areas of potential risk, to take appropriate steps to inform the marketplace about how the law works, correct misconduct or cease harmful practices. In addition, we advise the government on changes to the law to best protect the public interest.

On our website, you can find our regulatory framework. That is how we operate. It outlines our principles and our core activities. I'm just going to run quickly through the six core principles we follow.

We use a risk-based approach, which focuses resources and efforts on areas of risk to consumers and pension plan members.

We use an evidence-based approach in our decision-making, so we support our decisions by facts, judgments and analysis.

We are proactive. We take action in order to avoid and mitigate any potential risks before they arise.

We use a balanced approach. We strike a balance among the interests of all stakeholders, including consumers, pension plan members, regulated entities and stakeholders, and that helps the sector function well.

We are service-oriented. We communicate and interact with regulated entities, stakeholders and the public through multiple channels, including consumer protection materials, direct consultation and more.

We are transparent. We publicize licensing data. We publicize our enforcement actions and corporate reports.

We are collaborative. We work co-operatively with other regulators across Canada, regulators within Ontario, and with industry associations across the province.

We've undertaken a number of initiatives in the past year to support government policy and strengthen our capabilities. That included the regulation of health service providers that started on December 1. We've supported pension plan legislation reforms that are going on. We've been assisting with legislative reviews of the mortgage broker, auto insurance and credit union sectors. We've been providing fraud prevention information for

consumers. We've been looking into the implementation of user-based insurance. We've also participated in a number of national initiatives in the mortgage broker sector, and we have undertaken reviews of consumer protection and financial literacy issues in life insurance and mortgage brokers.

In addition, in the last year, we've developed a strategic plan to take us forward for the next three years.

Now, getting on to the important thing, the audit recommendations and our implementation of those audit recommendations: Immediately following receipt of those audit recommendations, we developed implementation plans and timelines, identified areas that were within the government's purview, as well as the items that might be impacted recently by the announcement of the mandate review by the Ministry of Finance. We will begin with an update on the pension recommendations.

I'm now going to turn it over to Lester to run through our action plans.

**Mr. Lester Wong:** Thank you, Brian. I'm Lester Wong, the interim deputy superintendent of pensions at FSCO.

As Brian noted, FSCO has developed action plans to respond to the recommendations, and indeed, we have begun to implement some of them already. The pension recommendations will strengthen the oversight in a challenging pension environment. The environment we've had of low interest rates and increased longevity has led to additional pension liabilities and increased the funding requirements for plan sponsors. Interest rates and investment returns are expected to remain low for the foreseeable future.

The financial crisis and the trend to lower interest rates resulted in a decline in the solvency of defined benefit plans. The underfunding was also noted by the Auditor General. The situation has since improved and should continue to improve unless interest rates fall further or investment returns come in below expectations. However, rates of underfunding are dependent on the overall economy and are susceptible to market volatility.

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In this fluid environment, FSCO works to ensure the protection of pension plan members and to specifically enforce the Pension Benefits Act and regulations.

Our regulatory activities include: plan registration, monitoring for compliance, approvals of transactions, conducting plan examinations, communication and education and enforcement.

In 2015, FSCO continues to support the government implementation of a number of initiatives to protect members and enhance the oversight of pension plans: for example, the filing of the statement of investment policies and procedures; disclosure of environmental, social and governance factors in investments; the provision of biennial statements to former and retired pension plan members; and a new framework for pooled registered pension plans.

FSCO also publishes guidance to pension plan auditors on disclosure expectations for financial statements pertaining to new accounting standards.



I will now summarize the pension recommendations from the audit report and FSCO responses.

**Recommendation 1:** Analyze reasons for the increasing underfunded status of defined benefit pension plans.

To manage the risks of underfunding, FSCO is collecting research to analyze the underfunding trends to determine the future potential risks and identify possible mitigation strategies.

**Recommendation 2:** Assess the financial risk to the Pension Benefits Guarantee Fund, also called the PBGF.

FSCO is reviewing the PBGF and will consider what additional analysis is available to improve the monitoring of the fund and also to present the financial statements of the fund to better reflect the plan's exposure.

**Recommendation 3:** Implement changes to legislation and policies to increase the monitoring and follow-up of underfunded and non-compliant pension plans.

FSCO is working with the Ministry of Finance to broaden its ability to appoint or act as a pension plan administrator and order actuarial reports.

FSCO is also identifying areas where we believe it would be effective to have monetary penalties for enforcement purposes.

Finally, FSCO has created a pension oversight section to more effectively deal with plans that are delinquent in their filings with FSCO.

**Recommendation 4:** Increase on-site examinations and improve examination procedures to assess investment risks.

FSCO will evaluate whether more examinations can be conducted with existing resources, collect additional data to assess risks and identify if there are additional risks in the areas of investment that need to be monitored.

**Recommendation 5,** which is the final recommendation pertaining to the pension sector: Implement improvements to statutory annual disclosures from plan administrators to include more meaningful information for plan members and provide members with more information on how FSCO protects their pension interests, as well as how their plan performed in comparison to other plans.

FSCO is identifying new information that may be provided as part of the annual disclosures to members and will make recommendations to the government regarding enhanced disclosure.

FSCO will also identify additional information that can be provided to plan members about FSCO's activities and about their plan's performance and expenses.

For all of these recommendations, FSCO will also advise government where necessary regarding legislative changes.

At that same time, FSCO will continue its oversight of pension plans in Ontario and support government initiatives to strengthen the retirement income security of Ontarians.

Now that I've had the opportunity to update you on the progress in pensions, I will turn it over to Anatol Monid, executive director of licensing and market

conduct, who will provide you with an update on the financial services recommendations.

**Mr. Anatol Monid:** Thank you, Lester. I'm Anatol Monid, interim executive director, licensing and market conduct division.

In overseeing financial services, FSCO's role is to protect the public interest by ensuring compliance with the laws governing the five other regulated sectors. There are eight laws covering these sectors, and they vary in their regulatory requirements, as well as the nature of the entities we regulate. To ensure compliance with these eight laws, our financial services regulatory activities include, licensing and registration, filings and applications, monitoring and compliance, investigations and intervention, enforcement, market conduct regulatory policy, and participation in national regulatory coordination activities.

FSCO also works to continually improve compliance and consumer protection, and here are some examples:

- conducting automobile insurance market conduct reviews;

- supporting the Canadian Council of Insurance Regulators, or CCIR, with reviews of travel insurance and property insurance related to natural disasters;

- health service provider monitoring and on-site compliance activities;

- life insurance agent on-site compliance examinations;

- product suitability reviews in the life insurance and mortgage-brokering sectors.

Much of this work is focused on ensuring compliance with the laws, and our statistics show a high and increasing rate of compliance in the insurance and mortgage-brokering sectors. For fiscal year 2011-12, it was 90%; 94% in 2012-13; and 96% in 2014-15. These figures exceed our target compliance rate of 90% and show the progress of compliance activities since the audit was commenced.

Let me turn back to the final audit recommendations and tell you how FSCO is taking actions to address the remainder of the recommendations in financial services regulation.

**Recommendation 6:** Change the Co-operative Corporations Act to require criminal background checks on board members, list approved offering statements on FSCO's website, conduct ongoing monitoring, and ensure that fees charged to co-ops are commensurate with FSCO's costs. In addition, it was recommended that FSCO consult with the Ontario Securities Commission on sharing or transferring the responsibility of reviewing offering statements.

FSCO is assessing its authority to publish any information on the receipted offering statements on its websites. Please note that the responsibility for initiating legislative reviews lies with the government, and FSCO will make recommendations to the government regarding fees.

FSCO, in conjunction with the Ministry of Finance, will initiate further discussions with the Ontario Secur-



ities Commissions regarding the review of offering statements.

**Recommendation 7:** Enhance agent licensing, specifically with respect to system controls and errors and omissions insurance. FSCO is developing an enterprise development program to better support data-gathering, our internal controls and improved risk assessment, and is creating a data steward position to manage the system data.

FSCO is also piloting insurance agent on-site examinations, which will include errors and omissions insurance verification, and is developing a position paper on how information available from a national statistical database can be leveraged for information about errors and omission claims made by life insurance agents. It should be noted that FSCO is not required to continuously verify errors and omissions insurance. To collect the necessary information on compliance, FSCO will examine how to create agreements with insurers to receive data on whether insurance agents have purchased errors and omissions insurance. FSCO will also examine how to create agreements with insurers to receive data on whether insurance agents have purchased E&O insurance.

**Recommendation 8:** Monitor and investigate complaints, including examinations and investigations related to enforcement actions by other regulators towards FSCO licensees.

FSCO is developing a framework to document how we identify, assess and deploy resources to address or mitigate high-risk areas. It is also reviewing its performance standards to provide more timely publication of compliance and examination reports to the industry. FSCO's recent statistics on how successful total complaint resolution has been is at a rate of 99% for the fiscal year 2013-14. In addition, FSCO is putting in place enhanced processes to monitor timeliness and outcomes of complaints and ensure that licensees that are sanctioned by other regulators are assessed more quickly.

It should be noted that there are no automatic revocations or suspensions allowed due to actions taken by other regulators. FSCO must follow due process investigating whether there has been a contravention of the regulated laws or the conditions of a FSCO licence.

That summarizes our plans for the financial services. There is one final recommendation from the Auditor General that Brian Mills will speak to now.

**Mr. Brian Mills:** Thank you, Anatol. Let me address the Auditor General's last recommendation: to explore the transfer of some responsibilities to newer self-governing industry associations. The decision-making on this matter rests with the Ministry of Finance, or with the government. Self-governing industry associations are best suited to oversee a single sector, a contained sector. They were created at a time when intermediaries tended to be restricted in the number of licences that could be held.

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The government also received a different recommendation from the Drummond report, which proposed that

consideration should be given to rationalizing and consolidating programs that regulate interrelated sectors. This is in line with current trends and modern regulation that call for a holistic view of regulating financial sectors that reflects the evolving environment.

The fragmented financial services marketplace has changed and now represents a highly interconnected financial services environment. As in integrated regulator, we believe FSCO is well positioned to monitor this interconnected marketplace for risks, conduct the appropriate licensing, monitoring and enforcement, provide the government with the appropriate advice, and deliver the mandate on protecting the public interest.

Implementing the remainder of the audit recommendations will strengthen these capabilities. We are committed to continuous improvement as an organization and regulator and we look forward to putting these actions in place.

The mandate review will also examine these issues, and FSCO is ready to work with the ministry and the appointed panel to ensure that the activities and services are aligned with the needs of Ontarians. Thank you, Mr. Chair.

**The Chair (Mr. Ernie Hardeman):** Thank you very much for your presentation. With that, we'll turn it over for questions. We'll start with Mr. McDonell.

**Mr. Jim McDonell:** Thank you, Chair. We see that the PBGF, which was created to help fund or look after the liability with private pensions, is grossly underfunded. I think there's \$1 for every \$77—that you have to cover the underfundedness of the plan. How do you see getting that in order, and have you provided guidance to the government?

**Mr. Brian Mills:** Let me ask Lester to take that question.

**Mr. Lester Wong:** Sure. The Pension Benefits Guarantee Fund—the PBGF—operates by assessing fees to the pension plans themselves that are covered by the PBGF. There is no underfunding per se, as you pointed out. There's a certain amount of assets in the Pension Benefits Guarantee Fund, and it protects certain benefits for members of pension plans where the pension plan is wound up and the employer or the sponsor of that pension plan is insolvent; there are no more funds available from the sponsor to provide assets to the pension plan. In that situation, if the benefits are covered by the PBGF, the PBGF covers benefits up to \$1,000 of pensions. There are no details about exactly what is covered and what isn't, but that's how it operates.

**Mr. Jim McDonell:** Do you anticipate that if another fairly large company was to go under, there are funds in there to deal with it? We've seen that Nortel and some of the companies in the past have failed.

**Mr. Lester Wong:** As of March 31, 2014, the surplus in the PBGF is \$375 million. In the event of a large underfunded situation, the funds are what is there, and that's how the legislation provides for the assessments to be provided. Under the law, that is the amount available to provide protection to the members.



**Mr. Jim McDonell:** Is your guidance to the government on that that those funds are adequate, or not? Does more need to be put aside?

**Mr. Lester Wong:** One of the recommendations from the auditor was for us to analyze the financial exposure of the PBGF and to look at whether there are ways to determine that financial exposure better and to identify if there are ways to mitigate the risks to the PBGF.

I'll note that there have been several studies of the PBGF over time: the Drummond report and the Eckler expert commission. They've done those independently and they've given advice to the government as to the operation of the PBGF. FSCO doesn't have the role of identifying the operation of the PBGF and how it should be funded.

**Mr. Brian Mills:** I can add a couple of comments to that. The government made a number of changes to the funding of the PBGF several years ago that included pretty well doubling the assessments on pension plans. Also, they changed the rules around coverage and broadened that out, and over the last several years we've had a significant influx of revenue with respect to those assessments because of that change.

The other thing is, the number of claims that the PBGF has faced over the last several years—which was outlined in the audit report—has been dropping. The number of claims has actually dropped pretty significantly over the last four or five years.

**Mr. Jim McDonell:** Public pensions are certainly one of the topics of the report. They're underfunded as well. Have you been providing any guidance to the government as far as the oversight, informing the stakeholders, whether they be the pensioners or the public, of the status of the pensions and what the current levels are?

**Mr. Lester Wong:** Yes. The members of pension plans are actually entitled to a lot of information under the legislation. They have access to all the statutory filings that their pension plan administrator is required to file, which would detail out the financial status or financial position of the pension plan as of whenever the last actuarial valuation was performed. So they do have access to that. In addition, FSCO has been doing for 11 years now—it's the 11th year, this year—what we call an annual defined benefit funding report, which provides an aggregate overview of the funded status of pension plans in Ontario, broken down by different types of pension plans. There's a lot of information about the status and the trends of what the pension plan environment and health of pension plans are over time.

**Mr. Jim McDonell:** I think that we also show that at the rate you're getting to these, it will take, I think, 14 years for you to actually cover—you're doing reviews, but at such a pace that people would be retired before information gets out to them. Many groups aren't actually filing these reports.

**Mr. Lester Wong:** Well, let me take that one. There's a problem sometimes with taking a point-in-time look at pension plans. It's sort of like looking at your portfolio of investments on a daily basis; it fluctuates.

In the audit report, it says that at the rate of plan examinations, it would take 14 years. That was December 2013. I can say, a year later, if I were to do the same number, it would take just a little over five years. In the course of a year, that statistic that it would take 14 years has changed to five years. I would caution about how effective that measure is in terms of identifying how well the examination process works or how many years it would take to look at all the pension plans.

I don't think it's our intent to look at every single pension plan. We take a risk-based approach to reviewing the plans. We've got 7,000 plans; we can't look at every single one of them with the same level of scrutiny with the resources we have. We have to identify where the highest risks are and look at that.

Pension plan funding status fluctuates over time, and I think that's part and parcel of when you look at a single point in time and take a statistic. It can be misleading—either plus or minus.

**Mr. Jim McDonell:** I guess the point there is, do you have the resources to do it? It's not a criticism of the people there. If there's not enough people, there's not enough people.

I guess getting a circuit that would allow for 14 years—companies come and go, of course. Your role there is oversight, and if there are people who can't rely on their pension plans—I mean, it's risk analysis. It does mean that there's a long period of time. It might be 14 years, it might be 10 years, or it may be only five years. But it doesn't give a lot of confidence from the stakeholder involved in it, just knowing the status—"Can I believe the numbers?" basically. Because that's really the role.

I heard this morning that OPG was in the worst shape. What status would it be? Would you have any information on it as far as being underfunded?

**Mr. Lester Wong:** I don't have the specific information on the OPG pension plan. I don't think I can disclose it even if I did. But I don't have the specifics of that pension plan.

**Mr. Jim McDonell:** But if you're using risk analysis and this is defined as the worst case, I would hope you would be aware of it. The point being, I think when you look at the funding levels, if you're providing guidance back to the government, has there been guidance about bringing that back closer to the industry norm, I guess you might say? I think it's funded five public dollars for every one employee dollar, which is something that's—

**Mr. Lester Wong:** I think we do try to keep on top of all the pension plans that have the most significant underfunding. We do watch that, and we do take a proactive approach to reviewing those plans' situations. As a regulator, our role is to make sure that they're funding in accordance with the legislative requirements. So that's what we do. But notwithstanding that, when we identify a situation where, even though they are contributing in accordance with the legislated minimums, if we see that the underfunded situation is large, we would take measures to keep on top of it, keep monitoring it and advise the government, where necessary, of that situation.



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**Mr. Jim McDonell:** So in a case like this, would part of your role be talking about—well, advice back to the government that, really, the contribution levels are out of whack with reality and the rest of the industry?

**Mr. Lester Wong:** We don't go that far to say that the contribution level should be X or Y in terms of the legislated minimums. We do provide advice—

**Mr. Jim McDonell:** I realize that you don't—I mean, in this case here, it's so out of whack. I would hope that if your role is to provide oversight and guidance back to the government, would that not be part of your role, that in here you've got a crown corporation that is seemingly out of control or—

**Mr. Lester Wong:** Yes, absolutely. I think that is—you know, part of the recommendations was to provide more meaningful information about specific plans, especially in comparison with other plans. So in that vein, we are going to look at that to see what kind of additional information we can provide to plan members, the public and the stakeholders, keeping in mind limitations that might exist due to privacy legislation and so forth.

**Mr. Brian Mills:** A couple of comments, too: You've got to remember that the pension plan itself has a fiduciary responsibility to its plan members. So if in fact it is having difficulty meeting its requirements under its plan rules and the PBA, then it needs to look at both its contribution levels from its membership and also from the employer, but also at the benefits that are being provided under that plan, and look at whether or not there are ways in which they would rationalize some of the benefits in those plans.

**Mr. Jim McDonell:** Yes. I guess my point in this—that is the goal; that is the requirement. But of course, if they're not fulfilling that, your role is to point that out and make sure the government's aware of that as well.

I know that they're talking about splitting off OPG and privatizing. How would that work now? You have a pension that, in the private sector, is probably not fundable. It's a huge liability. So any suggestions as to how they would—does the government just have to fund that? If you're going to pass off a liability like that, you've got to have somebody willing to take it on and somebody with the ability to pay for it.

**Mr. Brian Mills:** Most pension plans—again, if it were to be transferred, there would be a transfer of assets, if that was necessary. Again, I'm assuming the entity that it's going to be transferred to would take on the obligations and liabilities of that pension plan and would be governed by the same rules of the Pension Benefits Act and the plan rules.

**Mr. Jim McDonell:** Well, in the case of the government, I guess they're liable. If the pension's not there, they're responsible for it.

**Mr. Brian Mills:** Right.

**Mr. Jim McDonell:** In the case of a private entity, it sounds like you'd bankrupt it if it was forced to take this liability over, unless they had extremely deep pockets. To

take on that liability, I would imagine the rate of return that would warrant that type of responsibility or concern would have to be significant.

**Mr. Brian Mills:** I guess the other thing you've got to remember is that the Pension Benefits Act allows for the payment of deficits. Every time they file a valuation, if it's triennially or annually, depending on what their funded status is, if they're running a deficit, they have a certain number of years in which they can pay off the deficit in those plans. So in a case like this, if they're running a deficit, they will have to make the payments equal to that amount over the five-year period.

**Mr. Jim McDonell:** Is there any requirement for the government to do that as well? OPG is essentially a government pension. Is there any requirement for that—

**Mr. Brian Mills:** Well, I don't remember if OPG is a JSPP, a jointly sponsored pension plan, or a single employer pension plan. I don't remember. Jointly sponsored pensions are a 50-50 split in terms of member responsibility and the employer. If OPG is a single employer plan, well, again, if it's a contributory plan, there's X per cent being given by the members and X per cent being given by the—if it's this case, it's the government, and it's the government that's matching that. Obviously, if they were going to privatize it, there would have to be a transfer of those assets of the pension plan, and, along that, whoever assumed it would take on the liabilities of the pension plan. Normally, that's what happens on a normal asset transfer case. They might top it up before it's transferred.

**Mr. Jim McDonell:** Okay.

**The Chair (Mr. Ernie Hardeman):** You have five minutes.

**Mr. Randy Pettapiece:** I just have some short questions. Thanks very much for coming here today. Getting back to Jim's questions on OPG, I don't think it's any secret that it is in big trouble if something happens. Is it allowable for a government to—if they have a pension plan in place or are going to want to put one in place and if it's in good shape money-wise, is it allowable for them to bail another pension plan out that it controls?

**Mr. Brian Mills:** No.

**Mr. Randy Pettapiece:** You can't do that?

**Mr. Brian Mills:** You mean using the funds from the OPG or, say, from a plan that's in surplus to another plan?

**Mr. Randy Pettapiece:** Yes.

**Mr. Brian Mills:** No.

**Mr. Randy Pettapiece:** Okay. All right; fine. We have some information here that is about the percentage of underfunded defined-benefit plans in Ontario—this goes back to 2005—it was about 74%. Unfortunately, that has grown quite a bit in the last couple of years. I know we're going up to December 2013. Do you have any plans that you would recommend to the government to help alleviate this problem? I understand that there were all kinds of issues to do with the stock markets and whatever else back in those years, but do you have any plans in place that you want to recommend to the government to help alleviate this situation?



**Mr. Brian Mills:** I'm going to let Lester talk a little about the current funded status of pension plans in Ontario because we have some of those numbers and we update them quarterly. I'll let him talk about that and also talk about the effect that interest rates have on the funding of DB pension plans, and also the equity markets and the differential between them and the sensitivity around that.

**Mr. Lester Wong:** The numbers you quoted were as at December 2013. I do have an update for December 2014, similar to the update that I gave on the other statistics. Instead of the 92% of plans that are underfunded, it's 78%. So that's closer to the 74% that you quoted, back in 2005.

In addition, the dollar amounts that were quoted, December 2013, are much lower as at December 2014. That's again illustrating the point that a point-in-time estimate or look at it is sometimes deceptive, and you need to look at the trend.

Brian mentioned that the way that the legislation works is that once an actuarial evaluation is done periodically, it identifies any deficit that needs to be funded. There's a time frame in the legislation for funding that deficit. Solvency deficits are funded over a five-year period. All else being equal, if returns are more or less at the levels that they're expected to be and interest rates stay level, over a five-year period, a solvency deficit generally would be fully funded.

What Brian mentioned was the sensitivities. We've had an unprecedented decline in interest rates for a very, very long time. I started in the industry in the mid-1980s. In the mid-1980s, we had double-digit long-term interest rates. Pension liabilities are priced or valued off of very-long-term interest rates. If you look at the charts for the price of oil and gas over the last six or eight months, it has gone down a lot. If you look at a graph, it just drops a lot. We've had that over a 25- to 30-year period in interest rates.

Just to give you the sensitivity, a 1% decline in interest rates would increase the liabilities of a plan by about, say, 18% on average. It could be from 15% to 20%, generally. So if you had a \$100-million liability, and interest rates changed from one year to the next year—just the interest rates; not the benefits or anything—the value that an actuary would put on those liabilities would be, instead of \$100 million, \$118 million, say. Now contrast that to 2014—

**The Chair (Mr. Ernie Hardeman):** Thank you very much. We hope the rest of the answer will fit the next question. It goes to the third party. Ms. French.

**Ms. Jennifer K. French:** Thank you very much. I'm certainly pleased to be sitting in here today, and thank you for coming.

FSCO has few powers to address administrators of underfunded pension plans and, as we know, can only prosecute an administrator, can only appoint or act as an administrator, after it has ordered a plan to terminate. It also can't impose fines on those who file information returns late.

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However, federally, FSCO's counterpart can terminate a plan, appoint or act as an administrator without plan termination, and require more frequent actuarial evaluations of a plan.

So should the government give FSCO the same powers over pension regulations as OSFI has?

**Mr. Brian Mills:** You can start.

**Mr. Lester Wong:** Those were in the recommendations, in fact. Actually, there is something that's in the legislation but hasn't been enacted or proclaimed yet that provides some of those powers that you're talking about, which is to appoint or act as an administrator and to order actuarial reports. I think I mentioned that earlier in my initial address. As a regulator, of course, we are in agreement that any additional tools that we would have available to us would be useful. I think it's in the legislation in terms of: It's in there and it needs to be proclaimed. As a regulator, we are in agreement with that.

**Mr. Brian Mills:** Just a comment that I know that the government has made this a high priority because in the fall economic statement they outlined the fact that they would be working on finalizing those regulations to bring those into proclamation.

**Ms. Jennifer K. French:** I don't suppose they shared with you a timeline?

**Mr. Brian Mills:** I'm the regulator; no, they didn't.

**Ms. Jennifer K. French:** Okay. I'll redirect us back to the PBGF. We know it's designed to protect pension plan members and beneficiaries in the event of employer insolvency. While it's designed to be self-financing through the annual premium charges to pension plans, the fund has required significant loans and grants to cover claims payouts. Should premiums be increased so that the fund is better able to handle the claims on it from underfunded pensions, such as Nortel or US Steel?

**Mr. Brian Mills:** Let me reiterate what I said before: The government did increase the assessments pretty significantly. That was about four years ago. As you can see, the fund is now in surplus—\$375 million as of the end of the last financials. There will be another set that will be run this year and be published later this year. That increased the assessment significantly. The coverage was broadened to five years from three years on new plans. And also, like I said, there's been a general trend downward over the last five years in claims on the PBGF.

**Ms. Jennifer K. French:** Thank you. Do you have an estimate of what the government will be on the hook for through the PBGF and then outside the PBGF's provincial loans when US Steel Canada emerges from the CCCAA?

**Mr. Brian Mills:** Of course, that hasn't happened. That process is currently in CCAA, so therefore there is no claim on the PBGF. There is nothing for FSCO to evaluate or assess at this time. As you know, that's a CCAA process and they're going through a number of steps through that process, so there will obviously be a time that that will be completed. Again, we would wait, as the regulator, until such time as a claim is presented to the PBGF.



**Ms. Jennifer K. French:** So no ballpark guess or estimate?

**Mr. Brian Mills:** Again, I think Lester pointed out that if you look at pension plans, the funding of those pension plans and the current liability status in those pension plans varies every year because, as you can see in the last year, there was a drop in discount rates and that had an impact on pension plans. But next year interest rates could go up, and therefore the liabilities in the pension plans could drop. Therefore, that could mean that if there was an eventual claim that was presented to FSCO as a regulator, that—you know, it's a point in time; it's going to be varying every year. So we really couldn't give you any estimate, again, because it really depends on the funded status of the plan.

**Ms. Jennifer K. French:** Okay, thank you. In response to the auditor's recommendations, you've indicated you'll "seek ways to enhance its analysis of the PBGF financial exposure and to make available its analysis to the government." What could that look like, in terms of time frames as well?

**Mr. Brian Mills:** Let me ask Lester to—

**Mr. Lester Wong:** Yes. What that means is, we will do some research to look at some other—there are not a lot of examples of other jurisdictions that have similar funds. In the States there is the PBGC, the Pension Benefit Guaranty Corp., and in the UK there's the Pension Protection Fund. Those are two examples. We will look to see whether there's anything they do in terms of analysis in trying to manage the risk exposure and whether we can adopt any of those practices or things that can help us do a better job of monitoring the PBGF for exposure.

Secondly, we will be looking at how the financial statements of the PBGF are presented and maybe seek some accounting expertise to see if there are ways to present that information in a more meaningful way to the readers of the financial statements. For that, we would look to the accounting profession, probably, give some advice as to how that's done.

**Ms. Jennifer K. French:** Thank you.

**The Chair (Mr. Ernie Hardeman):** Ms. Fife?

**Ms. Catherine Fife:** Thanks very much. It must be a very interesting position for you to come in as interim executive director, given the fact that this report came out. In some ways it could be very good timing. I think the Auditor General's report made it very clear that there were some processes at FSCO that were not managing risk in a timely manner or, in some cases, even in an efficient manner.

Just to touch, though, on Bill 120, which was passed: It was called the Securing Pension Benefits Now and for the Future Act, which strengthened the superintendent powers. That was debated and passed in 2010 and has yet to be proclaimed. I just want you to know that we'll be calling on the government to proclaim that because we think that FSCO needs those powers. Do you agree?

**Mr. Brian Mills:** Yes. FSCO does need those powers. FSCO has some powers that it can deal with now, but,

yes, having the ability to request evaluations annually or in special circumstances would be of value to the regulator.

**Ms. Catherine Fife:** Moving on to the issue of insurance brokers and the weaknesses in the online licensing system for insurance agents, the AG pointed out that an online licensing system allows agents to hold active licences without entering whether they have acquired errors or omissions insurance, and you've already touched on that a little bit. But 23.5% or 9,500 of the active life insurance agents had missing or incomplete insurance data. It has also been pointed out that FSCO does not verify that errors and omissions insurance is valid. Several agents did not have the required insurance to cover clients' financial losses arising from agent negligence. I think that all of us as MPPs have seen issues like this arise in our ridings, and some of them have been devastating for people going forward.

In light of the concerns raised by the AG in citing a number of examples where other regulatory bodies had taken serious disciplinary action against brokers that FSCO subsequently relicensed, what is FSCO doing to ensure that it is adequately regulating the almost 50,000 insurance agents that FSCO licenses?

**Mr. Brian Mills:** I'll ask Anatol to address that.

**Mr. Anatol Monid:** Let me first state that the lack of documentation in the system does not mean that there was no errors and omissions insurance in place. To address those concerns, we are currently documenting our processes and systems, and this began in January 2015, under the oversight of committee, to address those processes and procedures. We are in the process of developing an enterprise development program that is designed to better support data gathering, internal controls, improved risk assessment and compliance across all the regulated sectors.

We will be in a better position to monitor this interconnected marketplace for risks, conduct appropriate licensing, monitoring and enforcement activities, provide the government with a source of integrated and current policy advice, and deliver on our mandate to protect the consumers.

**Ms. Catherine Fife:** Let me ask you a question, because you just mentioned the errors and omissions. Do you want to extrapolate on that a little bit? You were saying that you didn't have the data but it doesn't mean that you weren't monitoring.

**Mr. Anatol Monid:** Yes. In our review of the marketplace, we do audits that sample the marketplace. It generally has determined that there is a low risk of non-compliance and that most agents do in fact have errors and omissions insurance.

We are making further changes. On January 1, 2015, as a result of Bill 15, changes to the agent surrender process were introduced, and we believe that that will further reduce the risk of those agents not having errors and omissions, and that currently we're building a feature into the system that will provide notice to agents 30 days before expiry on the date of the record of their E and O insurance.



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We're building in ways to make sure that people are aware that there may be an expiry of their insurance and ways to exit the system if they don't believe that they wish to participate in the regulatory regime and won't have to purchase E and O insurance at that time.

**Ms. Catherine Fife:** Do you think that FSCO, in its current state right now, actually has the resources to investigate all agents who do not meet the minimum standards? Can you speak to that? The Auditor General did reference that there are some limitations—I mean, these are not just processes and then systemic issues within FSCO. Do you think you actually have the resources to fulfill some of the recommendations that the AG has put forward, Anatol?

**Mr. Anatol Monid:** We take a risk-based approach to addressing our regulatory activities. I don't think that we have the resources to look at all—I think it's 40,000 life agents. We use the resources we have in the areas where we perceive there to be the greatest risk to consumers or the greatest harm to confidence in the marketplace. Our information suggests that there is a low risk of agents operating without errors and omissions insurance—

**Ms. Catherine Fife:** But how do you know that?

**Mr. Anatol Monid:** We conduct audits, and based on the audit sample it indicates that it is a low risk. In addition, the information that we have about errors and omissions claims indicates that the numbers of claims are declining and that the size of the claims are declining as well.

**Ms. Catherine Fife:** You've just given me a very bureaucratic answer. Do you have enough resources? This is your opportunity to talk about some of the challenges you would face to ensure that you're actually able to do the job that the ministry expects of you, that the government expects of you.

**Mr. Anatol Monid:** Of course, if we had more resources, we could do more.

**Ms. Catherine Fife:** A very good bureaucratic answer as well. I thank you for that.

How much time do I have?

**The Chair (Mr. Ernie Hardeman):** You have about six minutes.

**Ms. Catherine Fife:** Are you just guessing? All right.

I'm going to stay on insurance. Concern has been raised in some quarters about the growth of MGAs, managing general agents. There was actually a Globe and Mail article that was written back in 2010—ironically, when Bill 120 was first passed. I'm just bringing up that five-year gap, and I'll do that on a regular basis. The Globe and Mail article was called "Through the Loop-hole: How an Industry Outgrew its Regulators." I don't know if you're familiar with this, but I did bring you copies.

The concern has been raised, obviously, in some quarters about the growth of MGAs. MGAs were established to act as a conduit that facilitates business between life agents, their clients and insurers. MGAs are playing a bigger and bigger role in the sale of life insurance

policies. This has been emerging issue for a number of years. Is FSCO confident it is regulating these new entities adequately?

**Mr. Anatol Monid:** Well, I am familiar with the article that you refer to—

**Ms. Catherine Fife:** I would hope that—

**Mr. Anatol Monid:** —and in response to that article, the Canadian Council of Insurance Regulators undertook a review of MGAs—I believe it was in 2012—and published a report on that. In the report, it outlined its expectations for how insurance companies and agents should operate in the marketplace.

One of the key components in the Ontario legislation, the Ontario Insurance Act, is that insurance companies have a statutory obligation to oversee the insurance agents. They must have a compliance system in place that ensures that the agents that are represented are operating in compliance with the law.

The growth of MGAs does not alleviate the insurance companies of that obligation to ensure compliance. We regulate insurance companies, so we have the influence of ensuring that they are having the appropriate monitoring in place, and through our licensing of insurance agents and corporate insurance agencies, which many MGAs operate under, we have the opportunity to oversee them through that function as well.

**Ms. Catherine Fife:** And do you think that's adequate?

**Mr. Anatol Monid:** To date, I don't believe there have been—yes, I would say it's adequate at this time.

**Ms. Catherine Fife:** I just want to raise the concern, just for the committee's—I mean, this does raise an emerging conflict of interest issue. The article and others have observed that one of the consequences of the move to an independent agent or MGA sales model is that insurers now feel they have to curry favour with the agents and MGAs who sell their products in order to maintain or expand business. Companies believe that if they fail to do this, agents and MGAs will simply send clients to competitor insurers offering better compensation and perks.

I think this is fundamentally an issue of consumer protection.

**Mr. Anatol Monid:** I would agree that it is an issue of consumer protection. We operate in a competitive environment, so those pressures exist in any business where there is the ability to transfer policies from one business to another. At the same time, it does not relieve insurance companies of their obligation to ensure that the agents that represent them, including those MGAs, operate in compliance with the law. In fact, the Canadian Life and Health Insurance Association has issued new guidelines to its members about how they should oversee MGAs and the qualifications of agents. So I don't believe that there are gaps at this time.

**Ms. Catherine Fife:** You don't. But has FSCO looked into this issue? I mean, it's been five years, and I noticed in your opening comments that FSCO—as one of your principles, you state that you try to address risks before



they arise. This has been an ongoing risk, and well documented over the last five to seven years. I'm asking you, as a regulator, if you've actually done an assessment of the risk to consumers in this regard, and, if not, is there perhaps one forthcoming out of the AG's report?

**Mr. Anatol Monid:** We haven't done a specific review of MGAs other than our participation in the Canadian Council of Insurance Regulators review, which we supported. What we are doing is increasing the number of audits of individual insurance agents to ensure that they are in compliance with the law, because even if there is an MGA, it does not alleviate the individual insurance representative of that general agency from operating in compliance.

Through our survey of agents in 2014 for product suitability, we learned a great deal about how business is conducted at the point of sale or across the kitchen table. Generally, we were satisfied that most agents are dealing with consumers in an appropriate manner. There is some room for improvement, and our on-site examinations will serve to enhance that, we believe.

**Ms. Catherine Fife:** I think this comes down to enforcement and oversight, and having the resources to do so and the mandate—and the tools, quite honestly, to ensure that you can do that.

I understand my time is coming to an end, but I'll be revisiting this in our next round. Thank you very much, Mr. Chair.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. We'll now go to the government caucus. Mr. Fraser.

**Mr. John Fraser:** Thank you very much for being here today. I'd just like you to finish—you may have to restart a little bit—your comments on the effect of long-term interest rates in the actuarial assessment of the viability of the plan. I got most of it, but you were trailing off as you got cut off there.

**Mr. Lester Wong:** Thank you for the opportunity. I was talking about the sensitivity of a pension plan's funded position to interest rates and investment returns. I was going to address those. A 1% decrease in long-term interest rates—actuaries use that to price the liabilities—causes, on average, an 18% increase in the liability. So a \$100-million liability, a year later or whenever interest rates go down by 1%, would go up to \$118 million.

Assets earn a rate of return. A rate of return of 10%, say, would be straightforward. So with a \$100-million asset earning 10%, you'd be at \$110 million. For example, if you had a fully funded pension plan of \$100 million of assets and \$100 million of liabilities at the beginning of the year at those particular interest rates, if a year later you earned 10% on your investment returns—which is a good rate of return in this environment—but interest rates dropped by, say, 1%, your fully funded position has gone from \$100 million to \$110 million on the asset side and \$118 million on the liability side, so you're now underfunded.

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Market volatility is something that—nobody I know of can actually control the long-term interest rates to any

great degree, or investment returns or capital returns. That just highlights how sensitive the measures are for the pension plan's health and the unfunded positions or funded positions, and you really need to look at things over time. The legislation is there to provide the funding requirements over a set period of time if things remain fairly stable.

**Mr. John Fraser:** Those fluctuations in interest rates or the volatility of interest rates—you've just given us numbers; 2013 numbers and 2014 numbers are significantly different. That's a fairly large change. Is that normal in this current environment over the last six years? Is that going to go up and down like that?

**Mr. Lester Wong:** Yes. In the report I mentioned that we published annually, it actually has a trend that goes back to, I think, 2008 or maybe even earlier—2001, maybe. Actually, it goes back to, I think, 2001. But if you look at the graph of the funded position, it's really just oscillating up and down, up and down. Now, actually, at the end of 2014, it's back up to near the highs of where it used to be. So it does fluctuate a lot, year to year. That's just how defined benefit pension plans operate.

**Mr. John Fraser:** Okay, which kind of leads to my next question. You're a regulator here in Ontario. I know that in Alberta in 2013, their numbers were similar to how our numbers are represented; they were about 92% insolvency. I know you have a lot of work to do, regulating a lot of areas, but have you done a jurisdictional scan or have you talked to each other? Is this part of a kind of a national or economic trend?

**Mr. Brian Mills:** In terms of CAPSA, which is the Canadian association of pension supervisors, there's a standard update on every agenda when we meet. We meet four times a year, two times by phone and two times in person. Of course, solvency or the current status of pension plans is always on the agenda. We do talk in generalities around the current funded status of the pension plans that each of us regulate, but we don't actually do a comparison. We don't have a table that we consolidate.

**Mr. John Fraser:** I know it's hard to compare because you're all a little different in some ways.

**Mr. Brian Mills:** Right. As you can imagine, back in the period when the crash occurred and a lot of pension plans lost significant value, there were solvency relief programs brought in. Again, across Canada, there were solvency relief programs brought in for pension plans to deal with that decline.

**Mr. John Fraser:** Just as far as the—I just want to go to the PBGF, just so I can understand it, then I'll just flip it over to my colleague. You've doubled—not you, but the contributions have been doubled. The government has asked for that to be doubled. Those contributions or those assessments: Are they from the funds of the plan itself based on an assessment that the fund is worth \$5 billion and therefore out of that fund you pay X dollars? Is that—

**Mr. Brian Mills:** I'll let Lester address that.

**Mr. Lester Wong:** There's actually a formula involved, and the formula involves things such as how



underfunded the plan is and how many members there are. Those are the two key elements for how the assessments are determined.

**Mr. John Fraser:** And those assessments, they come through—

**Mr. Lester Wong:** They come from the plan sponsors.

**Mr. John Fraser:** The plan sponsors. So depending on whether it's an employer or an employer-employee plan—

**Interjection:** Jointly sponsored.

**Mr. John Fraser:** Yes, jointly sponsored. So they would come from both those sides.

**Mr. Lester Wong:** Yes. There are a number of plans that are exempt or not covered by the PBGF. One of them is jointly sponsored pension plans. They wouldn't contribute and they're not covered by the PBGF. But other plans would have—the members' contributions are generally fixed by the plan terms and the employer pays the difference, essentially, to fund the legislated minimums.

**Mr. Arthur Potts:** I wanted to pick up on this how-far-under concept. Ninety-two per cent underfunded sounds like a lot. It's a shocking figure on its face, but if they're all under by 1% or 2%, considering the target is 100%, it's not really that big a deal if that were the case. So can you give us a sense of the range of underfunding and maybe talk to triggers? At 10% underfunding, you used to have to take notice. At 50%, you get really, really excited—those kinds of things.

**Mr. Lester Wong:** Okay. So, again, I refer to—there's a published report we do annually which shows the—we look at the median funded ratio, what we call the funded ratio of plans. At the end of 2012, it was very bad; it was around 73%, the median for pension plans in Ontario. A year later, it was up to 94%—so a significant improvement. Then, a year after that, at the end of 2014, it's down a bit to 88%, based on our analysis so far. We haven't finished it yet, but that should be a pretty good number.

So, yes, it fluctuates. There was a big decrease when the 2008 financial crisis hit, and then shortly after, until plans started recovering, that was significantly down. But it's improved, and, as I've mentioned, it should continue to improve, unless interest rates continue to fall further or investment returns are pretty bad.

**Mr. Arthur Potts:** Those are your median levels, which is great, and that gives you assessment of the overall health of benefits.

**Mr. Lester Wong:** Right. And then, to answer your other question about triggers, if you will, in the legislation itself, there is a notion of 85%. If your plan is 85% funded or less than 85% funded on a solvency basis, you're required to do annual evaluations. You're required to do evaluation reports every year and file them with us. If you have more than 85%, then the requirement is only every three years. So within the legislation itself, there's sort of a threshold, if you will, where more frequent reporting is required.

For our purposes, all plans tend to go up or down at the same time. We try to focus—as Brian mentioned, we take a risk-based approach. Underfunding in and of itself is not the only criteria. We would look at other criteria, like whether or not plans are contributing what they're supposed to, whether the administration is good or bad and so forth. So we look at other factors when we determine what plans we want to monitor or look at.

**Mr. Arthur Potts:** And monitor, I think, is the key here. Essentially, your powers are about monitoring, not about interacting in an active way. I have a constituent, for instance, with long-term service in a retail environment, where he believes the laws allow the retailer, who is probably making an exit from this country soon, to be grotesquely underfunding their contributions, and when they leave, there will be no assets left for him to receive the full pension that he is expecting, and he'll end up down at the \$1,000. It begs the question about—if they've gone from a place where the pension was funding him at a \$4,000-a-month pension, and suddenly they leave and it's gone bankrupt or it's wound up and there's not enough there, and we're giving him \$1,000 and there's nothing left in it—or would we be topping up if he was at \$4,000 and now there's only enough for \$3,500? Would we be topping up the \$500?

**Mr. Lester Wong:** I'm sorry. I'm not quite sure I understand the question.

**Mr. Arthur Potts:** All right. If we're monitoring these plans, and when they are wound up and there's not enough money in them to meet their obligations because they're underfunded, his concern is that this corporation may be deliberately underfunding, knowing they're about to take an exit from Canada, and there's no recourse for us to go after assets which could be put back into the pension plan. That would be his first concern. The second concern would be that if this fund has gone so far underfunded that he can't get his full pension, would we be topping up to what his full pension would be? Or we would only top up to \$1,000?

**Mr. Lester Wong:** It would be topped up based on—to \$1,000. But that doesn't mean his pension would be \$1,000. The pension plan itself has assets, so the pension plan itself can provide an additional above the \$1,000.

**Mr. Arthur Potts:** Okay. All right. Are there any powers that you have for seizure of assets or liens against assets? Or should there be requirements that before dividends are given in corporations as they're selling off major assets, pension funds be brought up to compliance?

**Mr. Brian Mills:** I guess a couple of comments: When a plan is wound up, the employer would have five years to pay off that deficit. So they have that ability to top up the plan from their funds to make the plan whole. In bankruptcy, usually when a plan is wound up and there aren't enough assets to cover it, you would see a PBGF claim eventually down the road, and again, we would top up to the \$1,000.

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On non-remittance of contributions, there are a number of criteria under the Pension Benefits Act which



allow us to take action to wind up the plan. By winding up the plan we are freezing the benefits at that point in time, so there will be no further accruals, and we're basically freezing the total deficit or liabilities in the plan at that time. Again, depending on what those liabilities are, the PBGF can be brought to bear on those.

**Mr. Arthur Potts:** If you saw a scenario where you suspected that there is a plan for an exit strategy, you might go in and realize they're not going to get back to 100%, let's freeze it, wind it up right now, and whatever's in it, they would have five years to finish it up.

**Mr. Brian Mills:** Again, there's only set criteria in the plan. If they're remitting their contributions in accordance with the Pension Benefits Act, if there is still a significant labour force—I forget what the other criteria is; Lester can help me—but effectively, they would have to be in violation of one of those key criteria for us to wind up the plan.

**Mr. Arthur Potts:** They can be meeting their obligations but still have a long period to get there and have an exit strategy.

Does anyone else—Han, you wanted—

**The Chair (Mr. Ernie Hardeman):** Mr. Dong?

**Mr. Han Dong:** Hi. I just have a couple of quick ones. I'm talking about the underfunded defined benefit plans. You mentioned that in December 2013 it's 92%. They've gone down to 75% in December—

**Interjection:** Seventy-eight.

**Mr. Han Dong:** Seventy-eight, sorry, in December 2014. From the auditor's report, the underfunding increased from \$22 billion to \$75 billion between 2005 and 2013. What is it now? Do you have the exact number?

**Mr. Lester Wong:** Yes, I do. The exact number is at a point in time. Just to make sure you understand, when the auditor's report looked at December 2013, it's based on the filings that are in our hands on that date. It's the same when I talk about December 2014; it's whatever actuarial reports have been filed with us at that point in time. The number is \$40.9 billion.

**Mr. Han Dong:** Okay. You also mentioned that a 1% interest rate drop increased the liability by 18%. That's 18% of what? What's the total?

**Mr. Lester Wong:** Whatever the liabilities are, it would increase—

**Interjection.**

**Mr. Lester Wong:** Now, that's a rule of thumb. It depends on the plan's particular characteristics. I was just giving a general rule of thumb as to, the average plan might be in that order.

**Mr. Han Dong:** Okay, so that would speak to an average pension plan.

**Mr. Lester Wong:** Yes.

**Mr. Han Dong:** Okay.

**Mr. Lester Wong:** And it changes over time.

**Mr. Han Dong:** I have a couple of other questions about protecting the public interest. The Auditor General made a recommendation to take timely action to investigate complaints, assess the need for proactive investigations, and "establish systems and procedures to promptly

identify, investigate ... registrants and licensees who have received sanctions from other" regulatory bodies. What have you done on that?

**Mr. Brian Mills:** I think you're asking in respect of complaints with respect to licensing and market conduct.

**Mr. Han Dong:** That's right.

**Mr. Brian Mills:** Anatol?

**Mr. Anatol Monid:** FSCO is currently reviewing information sharing arrangements with other regulators so that we get this information in a more timely manner. For example, in 2014, FSCO signed a memorandum of understanding with the Mutual Fund Dealers Association. We've set up a working group that will establish what the more current information channels and data collection on licensees sanctioned by other regulators can do. We will continue to institute procedures to ensure that licensees sanctioned by other regulators are identified and assessed more quickly, in accordance with our governing legislation and with the due process requirements.

**Mr. Han Dong:** Okay.

**Mr. John Fraser:** I'd like to ask a question in relation to recommendation number 6 and the oversight of co-operatives. I realize that this is kind of an emerging issue over a period of time, since, I guess, around 2007, 2008. There's been a big growth in co-operatives. In terms of the Auditor General's concerns and in light of the Minister of Finance's announcement last week with regard to co-operatives and the review, what have you done or what are you planning to do?

**Mr. Brian Mills:** I think you mean the mandate review. It wasn't specifically co-operatives. The mandate review—

**Mr. John Fraser:** The mandate review, yes.

**Mr. Brian Mills:** The mandate, you've got to understand, is looking at all the regulated businesses that FSCO currently regulates. Of course, they'll be dialoguing with industry around that. One component of that is that they'll also be looking at: What's the mandate of FSCO? What tools does FSCO need to be able to effect that mandate? So it's kind of like a downstream starting with: What is the mandate and then what tools does the regulator to fulfill that mandate?

I don't know, Anatol, if you want to add a little bit about co-operatives, in terms of the audit report.

**Mr. Anatol Monid:** Sure. Some of the recommendations can be acted upon, and we're looking at those in conjunction with the Ministry of Finance. We will also provide the ministry with—to identify what other statutory amendments or fee amendments would be required.

We are assessing our ability to publish information on our website. We believe that we have the power to do so. We will be engaging with the ministry and the Ontario Securities Commission to talk about that recommendation.

**Mr. John Fraser:** Thank you very much.

**The Chair (Mr. Ernie Hardeman):** Okay. We'll start the second round—

**Mr. Arthur Potts:** Do we have two more minutes?

**The Chair (Mr. Ernie Hardeman):** Well, about one. We'll give you an extra half a minute next time.



We'll go to the third party. This time around we'll have 18 minutes per caucus, to conclude all the time that we have available. And the government party will get 18½.

**Mr. Arthur Potts:** Thank you, Chair. You're very fair.

**The Chair (Mr. Ernie Hardeman):** So with that, Mr. McDonell.

**Mr. Jim McDonell:** Looking through some of the recommendations—I know we talk about the level reporting back from plans. I see that the defined pension plans with a solvency ratio of 85% or higher only have to file every three years, when on the federal side, at 120%, they have to file annually. Do you think that on the provincial side that's enough? You wouldn't think simple filings would be too onerous on the companies—back to the agency that's supposed to be able to look if there is a problem. These are plans that are actually identified as a problem.

**Mr. Lester Wong:** Yes. If the proclamation of some of the legislation is given, where we can ask for valuations, if we feel it's appropriate, that might alleviate the need for any more frequent reporting.

As a regulator, it's always, I guess, more information. We're never afraid of getting more information.

**Mr. Jim McDonell:** I also see from it that 1,383 pension plans have not submitted one or more of their statutory filings, yet you only took any action against 176, or less than 13%. Certainly those are within your mandate. I guess the question would be, why would you not follow up on the other 87%? These are pension plan filings that supposedly are a requirement for you to do your job. If somebody's not sending something in, it certainly is a red flag that there's an issue.

**Mr. Lester Wong:** Yes, that's actually something that—we were actually doing something as the audit was going on. I mentioned the pension oversight section. We implemented a new pension oversight section, which is charged with trying to make sure we keep on top of the filings and so forth. I can report right now that as of today, we are 100% up to date. There's nothing more than a year out. All the ones that were referred to in the audit report have been followed up on. Of those, I think there are six that still have some activity going on, potentially prosecution activities that we're referring to our legal department. But it's all caught up right now, and we have implemented procedures and processes to stay on top of that.

**Mr. Jim McDonell:** Sure. In one of my previous statements, I talked about the inability to look at pension plans and the overall oversight. I guess I misunderstood, or I guess I stated it wrong. The 11% that you look at: These are 11% of the plans that are actually in trouble or on the insolvency list. So when we talk about getting through these—they talked about taking 14 years to examine them all—those are the pension plans that are in trouble. And I know you're doing better, but if you've got a pension plan that's in trouble, to think that it would take any more than a few years, or a year, to have a

secondary look at it—you're looking at how much they improve. But it just doesn't seem to us that you have the resources to do the work.

1350

**Mr. Lester Wong:** I think the numbers quoted were that there were 696 underfunded pension plans. That wasn't insolvent plans; that was just underfunded plans. At the time, it was 696 plans. Now, looking at the same numbers today, or at a more recent date, instead of 696 it's 262 plans that are underfunded. And, as I mentioned, instead of 14 years it would be just a little over five years at the rates that we currently examine plans.

Again, I would just caution that—yes, you're right, underfunding is a serious concern, but, as I think this member noted, it depends on the level of underfunding, and it depends on whether that pension plan is exhibiting something that's different than the norm. So if all plans in 2008 suffered losses, we would have to look only at the ones that are the most severe cases or have other issues where we were concerned.

So yes, you're right: We do look at underfunding. And you're right: If the number of underfunded plans exploded or increased a lot, obviously the level of resources to conduct more exams is not there. Likewise, if it decreased, the reverse happens.

**Mr. Brian Mills:** Just to add to that: The risk-based approach that Lester talked about—we're not just looking at the underfunding; we're looking at remittance of contributions. That's a critical thing. As soon as a pension plan stops remitting its contributions, that's a very serious warning sign for us, so we monitor that very closely. We monitor the benchmark they make on their investments to see if they're making reasonable returns. We look at the number of complaints, and if we're getting a lot of member complaints, well, then, again, that is added up into a framework where we look at the totality of that risk.

One key element we also look at is the current financial state of the plan sponsor. And that's an area where we're working really hard to get more information, because a pension plan is only as good as the plan sponsor. We're trying to get more information, and there are a lot of various agencies to give us that kind of information so we can monitor the state of the plan sponsor. So we're not just looking at the underfunding—that's a critical element, as Lester said—but there are all these other factors we look at: "That is a high-risk plan," and therefore we'll examine it.

**Mr. Jim McDonell:** I guess you're really a resource of the government when it comes to pension plans and suggestions on how they might run a pension plan or evaluations of current pension plans. Are you ever asked for information back, say, during negotiations on the viability of a plan that's being proposed, or to provide input back if you come across something that seems skewed out of what would be the expected norm?

**Mr. Lester Wong:** Yes, to the extent that we get asked and it's in our purview and we have that expertise in our agency, we would provide that kind of information or analysis.



**Mr. Jim McDonell:** I come back to an example of OPG, where an employee came up to me—actually, just a few months ago—and he was talking about something that happened just a few years back. He had decided to retire after 30-some years—I think 35 years—and his comment was, “We get a very good pension and I was very happy with this.” He said, “I was called into my supervisor’s office to talk about my severance package, which I really wasn’t aware of.” He received an almost half-a-million-dollar severance package.

I just wonder, coming from the private sector, how a government agency could justify that. He said he was very happy to take it, but he said he couldn’t believe that that was the type of plan that was there. It’s like the winning the lottery, you know? I guess the good news is that some of it’s taxed back.

But plans like that—would you not see some of that and be able to report back that maybe this is an agency that’s a little out of whack?

**Mr. Brian Mills:** You’ve got to come back to the key elements that we’re looking at, and that is that a pension plan has a fiduciary responsibility and a prudent-person approach in its investments to meet the obligations of its members. Therefore, its whole mandate with respect to the pension plan should be to ensure that the assets are there for those members. Again, there’s a very large onus on the plan sponsor to make that happen.

Lester, I don’t know if you want to add anything.

**Mr. Lester Wong:** We don’t get involved in telling companies how to design their pension plans. That’s outside of our purview.

**Mr. Jim McDonell:** No, but in this case here, it’s an element of the government. I think the words I’ve seen is that it’s the worst case we have in the province of a government-funded, or -controlled, pension. There are red flags all over the place. I would expect you’d be looking at this and going into depth, because this is the worst one. If you don’t look at this one, what do you look at? There should be guidance coming back and saying, “Hey, Minister of Finance. This is out of whack.”

We saw the same thing in Ornge, where there was just no oversight and salaries were out of control. That’s not yours, but it’s the same thing, where people knew about this but nobody was sending the information back.

If that’s not your role, would it not be reasonable to assume this should be your role? This is a pension that is the worst unfunded liability in the government. Surely you’ve taken an in-depth look at this.

**Mr. Lester Wong:** Well, I think our role is to ensure that the pension plan is funded and administered and the governance is as required in legislation.

**Mr. Jim McDonell:** This one obviously is not. It’s a problem. That’s my question, really. If it gets this bad and it still doesn’t qualify, what would it take?

**Mr. Brian Mills:** From FSCO’s standpoint, if they’re remitting their contributions, if they’re making their special payments, then they are in compliance with the Pension Benefits Act. As a plan sponsor, they have a responsibility to fund this plan over many years to pay

out the assets to the members. I would assume that they have a plan to bring themselves back to a funded status.

Really, from FSCO’s standpoint, if they’re not remitting their contributions and they’re not making their special payments, which is what the deficit is in the plan, then of course we would take action.

**Mr. Jim McDonell:** But wouldn’t you be looking at—I mean, obviously the deficit in this plan is growing, because it is an issue. Would you not be looking at their plan and saying, “How do you plan?” The government essentially—at least, they believe they have unlimited funds. But there must be some mechanism to say—obviously, there’s a mechanism to say that this is a problem. Is there nothing to allow you to, at the very least, flag this to the minister that we’ve got a fund here that’s in this bad a shape; that yes, they’ve got a plan, but it’s not really sustainable because it’s out of control.

**Mr. Brian Mills:** I think if you look at other examples of public sector plans that also had deficits, they worked out plans and looked at both contributions and looked at benefits and took actions to bring the deficits in their plans under control. Again, the fiduciaries of this pension plan have that obligation.

**Mr. Jim McDonell:** Well, I just look at some of the results that the audit has turned up here. The 5-to-1 ratio—I would think, if I was in government, that this was an embarrassment, and I would like to have my own internal arm tell me this before I read it in the paper. Is that not part of your role, to look at—obviously, this is out of whack. Obviously, this should require some guidance back saying that this is not the norm, that this is not even close to the norm as we see it. It’s way out of whack. And nothing—or did that go back and it was ignored? We’re just wondering how things get like this.

**Mr. Brian Mills:** Lester, you may want to comment. Again, each pension plan is different. Each pension plan has its own statement of investment policies and procedures on how it invests in the marketplace. Each pension plan has different pension rules for its membership in terms of what the accrual is per year. They have different rules, and therefore they may have a different funded status than another plan. They’re all different. As I said before, the plan sponsors of this pension plan have an obligation to bring the plan into compliance—I’m sorry; bring the plan back to 100%.

1400

**Mr. Jim McDonell:** But that aside—it may or may not be in compliance, but you get a rogue crown corporation that gives something that’s—you know, it’s run internally. They can do what they want, it seems, and they can pay their people what they want and they run pension plans like this that are just off the wall. Is there no reference coming back to the government at all? Can this go on, and it’s only when something leaks to the press that there’s any knowledge of this? This is a crown corporation—financial ties back to the government—who basically sets the rates and the policies they put in place. Is there nothing that says—I mean, other than the fact it’s—now they just take more money from the public



purse and it's solvent? But is that the answer? Really, there should be some guidance back that, "Hey, we've got something here that's not reasonable."

**Mr. Lester Wong:** Honestly, I don't think that is the regulator's role to look at that—

**Mr. Jim McDonell:** Is there nobody in government that you know of who would be able to identify this back to the governing party, that something's out of whack here? Is it completely up to somebody—like the Auditor General happens to look at this crown corporation and notices this? That's the only way they have of finding out?

**Mr. Brian Mills:** Again, we'll go back to our risk-based approach. If we're getting thousands of complaints, if we're—

**Mr. Jim McDonell:** No, that's not quite—if you were to review this, it wouldn't—

**The Chair (Mr. Ernie Hardeman):** Mr. McDonell—

**Mr. Jim McDonell:** All right.

**The Chair (Mr. Ernie Hardeman):** —your time's up. Thank you very much.

The third party. Ms. Fife.

**Ms. Catherine Fife:** Thank you very much. I'm going to pick up where I left off. Based on the MGAs, although it's not specifically part of the Auditor General's report, it does speak to oversight.

Here's the question with the MGAs, as I see it. When regulators become involved, insurers can claim that the legal responsibility for overseeing the sales practices of an agent rests with the MGAs that retain the agent's services for their part. So MGAs can claim that they simply act as middlemen or -women, whatever, with no legal responsibility to police the agents they use.

According to the Globe and Mail article that I referenced, which I'm really happy that you have also read, the effect of the independent MGA model is that "the consumer can have no expectation of a safeguard when they buy a life insurance policy that is channelled through an MGA—and the consumer is unlikely to know that an MGA is even involved."

On this issue, and based on the CCIR report that you did reference, that you cited earlier, although that agency's "Principles for Managing Conflicts of Interest form part of industry codes of conduct and are the responsibility of the insurance agent whether or not an MGA is involved, consumers seem to want additional reassurance that they're receiving competent product recommendations and advice that is free from conflict of interest." What measures have you implemented to deal with this obvious and growing consumer concern over conflict of interest when MGAs are involved?

**Mr. Anatol Monid:** Okay. Well, thanks for revisiting it. There's a couple of contextual points I'd like to make. First of all, in the life insurance business in Ontario in 2013 there was \$20.5 billion of insurance transactions, and FSCO received about 325 complaints. So relative to the scale, there does not appear to be a lot of complaints about the way insurance products are being sold in

Ontario, and the compliance framework we have, I believe, supports that.

Insurance companies have a statutory obligation to ensure that they have compliance frameworks in place to address the treatment of their customers when a product is sold by one of their agents. Insurance agents themselves have a statutory obligation to ensure proper disclosure and fair treatment of consumers. FSCO is now conducting examinations or will be conducting more examinations of insurance agents to assess the content of the files and their practices to ensure that that is in fact also happening.

We can take some comfort—having done a survey of 1,400 insurance agents in 2014 to determine their practices around the distribution of products and the suitability of the sale of those products to consumers, we are generally satisfied that insurance agents are taking the time to ensure that clients receive a product that is suitable for their needs and circumstances.

**Ms. Catherine Fife:** So the complaints that you received: Are you satisfied with the communication that FSCO has with regard to ensuring that consumers have a clear path to raise a complaint with FSCO?

**Mr. Anatol Monid:** We are. We believe that, first of all, insurance companies have an obligation to inform consumers if they're complaining to the insurance company about FSCO's role. In fact, we require the insurance company, if they're making a final position, to inform the consumer that they have the ability to speak to FSCO. There is also the ombudsman for life and health insurance that people can seek redress through if it's not a matter of non-compliance with the law; if they're dissatisfied with the quality of service, for example. Each insurance company has a requirement to have an ombudsperson, typically in their compliance operation, who will look into complaints and is independent of the operation, so that it somewhat mitigates that conflict of interest which you were concerned about. Based on the framework that exists, we believe that consumers can find their way to FSCO and that there is an interest in the system in general to resolve complaints.

**Ms. Catherine Fife:** Have you had a third party do an assessment of your complaints procedures, or was that an internal review?

**Mr. Anatol Monid:** Outside of the Auditor General, we also—actually, it's an opportunity to mention that in 2013, the International Monetary Fund conducted a financial sector assessment program review of Canada. Ontario, Quebec and the federal regulator, OSFI, were reviewed, and in general we were found to be in observance of the international standards in place. It may be an opportunity to bring back your point that the IMF did not raise the issue of resourcing and the adequacy of resourcing at FSCO, so there is some merit to your comment.

**Ms. Catherine Fife:** In my previous questioning, though, you had mentioned that FSCO has not done an assessment of this, but it potentially could be set to be reviewed by FSCO.

**Mr. Anatol Monid:** An assessment of?



**Ms. Catherine Fife:** Of the role of MGAs—you haven't yet, but—

**Mr. Anatol Monid:** We participate in the CCIR program. We were satisfied that we have an understanding of how MGAs operate in Ontario and that we have the appropriate mechanisms in place to deal with issues.

**Ms. Catherine Fife:** And you feel that consumers are adequately protected right now.

**Mr. Anatol Monid:** Yes.

**Ms. Catherine Fife:** I thought you said in the first session that you do think that this is an issue of consumer protection.

**Mr. Anatol Monid:** Well, any time a consumer is in a sale situation, they need to have the adequate protection. Specifically, are MGAs a risk to the system, and do they warrant some additional controls? I would not say so. The party making the sale, whether they're a member of an MGA or not, is a licensee, and they're subject to FSCO oversight. The manufacturer or life insurer for which the agent is distributing the product is licensed by FSCO and is required to have a compliance framework. Both sides of that equation have some controls in place.

**Ms. Catherine Fife:** Okay. I want to move on to the weak oversight of co-operative corporations that my colleague across the way had raised earlier. In the Auditor General's report, she raises an interesting issue around timing. In 2009, when the Green Energy Act was brought in, it also amended the Co-operative Corporations Act to allow for the creation of co-ops. It's interesting to note that in the province of Ontario today, after only two calendar years, 64 of the 116 co-ops registered by FSCO were in the renewable energy sector. She also references that "FSCO also does not conduct any ongoing monitoring of co-ops to ensure that funds are being invested in the projects outlined in the offering." She goes on to say, "Nor does it conduct ongoing examinations of these co-ops to ensure they comply with the requirement of the Co-operative Corporations Act."

I understand that there's a lot going on. I think that that Auditor General has pointed out the scope of the work that you do. But in your response to the auditor, you agreed that "members and investors of co-operative corporations should be protected. While some aspects of the recommendations could be acted upon immediately," there's obviously some legislative ones that need to be addressed. But you say, "Several years ago, FSCO engaged in early exploratory staff discussions with the Ontario Securities Commission...." So one can only assume that that was when the Co-operative Corporations Act was amended, back in 2009. This has left a number of co-ops without protection for a number of years.

1410

I guess my question to you is, why did it take so long to have a discussion several years ago and then, seemingly, nothing happened, either on the legislative side or even the following up on the discussion to transfer the responsibility, potentially, to the Ontario Securities Commission? There's a huge gap. Can you give us some insight as to what happened? Clearly, the ball was dropped with regard to protecting co-operatives in this regard.

**Mr. Anatol Monid:** There is no absence of protection. There are some protections involved. The review of the offering statements forms a protection for the investor. We did have discussions at one point with the Ontario Securities Commission, and we're committed, in conjunction with the ministry, to revisit those discussions.

**Ms. Catherine Fife:** Then what happened with those discussions? You met with the Ontario Securities Commission. Was the proposal received well? Was it, "We'll get back to you in a few years"? What?

**Mr. Anatol Monid:** I wasn't part of those discussions, so I'm not able to comment on them.

**Ms. Catherine Fife:** I understand that.

**Mr. Anatol Monid:** But there was also some resistance from the sector about changing the way that the offering statements are reviewed, because their internal costs would go up. The securities commission charges a different fee—

**Ms. Catherine Fife:** Whose internal costs would go up?

**Mr. Anatol Monid:** The co-operative associations.

**Ms. Catherine Fife:** Yes, but the co-operatives—I mean, it's costing FSCO \$500,000 to manage the co-op sector and you only receive \$1,000 in fees.

**Mr. Anatol Monid:** Yes.

**Ms. Catherine Fife:** This is a little ironic, that Financial Services Commission of Ontario is running a \$499,000 deficit around this issue. One can only assume that this is a long-standing issue. I'm not pointing at you, but there is clearly a gap in processes that missed this ongoing lost revenue or did not make the transfer to the Ontario Securities Commission. Here the protection should be on the taxpayers, not just—if the co-operatives don't want to pay the extra fees—they're paying \$1,000 for the entire—they might as well not be paying anything.

**Mr. Anatol Monid:** This is not consistent with the costs associated with doing an offering statement review.

**Ms. Catherine Fife:** It is not consistent with the costs. That's very good.

**Mr. Anatol Monid:** Yes.

**Ms. Catherine Fife:** Very good, yes.

Okay. I think I made my point on that. I hope this issue is going to be addressed, though. Can you speak to that?

**Mr. Anatol Monid:** We are working with the ministry to review the situation.

**Ms. Catherine Fife:** Is this part of the general mandate that's coming—

**Mr. Brian Mills:** Yes. I think I commented before that they're looking at building all of FSCO's mandate, including co-operatives, because it's an area we regulate.

**Ms. Catherine Fife:** They're doing this mandate—I mean, this review, but they actually have a piece of legislation on the books right now which they could just proclaim, which would be helpful, don't you think? I'm of course referring to Bill 120, Securing Pension Benefits Now and for the Future Act.



**Mr. Anatol Monid:** Yes. I think I commented before that the minister did talk about that in the fall economic statement.

**Ms. Catherine Fife:** Okay. Back to the co-operative corporations: One of the recommendations is that “all board members have criminal checks before the co-op is registered and any offering statements are issued.” Is this not a common practice with any board that FSCO deals with? If your job is financial oversight of all of these agencies and boards and entities, would having a basic level of criminal checks not be built into all of your procedures and policies going forward?

**Mr. Anatol Monid:** It is built in to those people who are licensed as board members. We don’t have that legislative authority to conduct criminal background checks of those individuals.

**Ms. Catherine Fife:** I’m sorry; you don’t have the authority?

**Mr. Anatol Monid:** The legislative authority to do those types of checks for board members of co-operatives.

**Ms. Catherine Fife:** Do you have the legislative authority to ensure that the charges are commensurate with FSCO costs? Do you have the legislative authority to do that?

**Mr. Anatol Monid:** That would be with the ministry. We could provide them with advice.

**Ms. Catherine Fife:** So these recommendations you can’t actually act on. Your hands are tied until the ministry addresses these issues legislatively?

**Mr. Anatol Monid:** Correct.

**Ms. Catherine Fife:** You know what? That’s a really important note from this proceedings, that these have been long-standing issues. So there’s a need to accelerate this review to ensure that legislation empowers FSCO to do what your mandate is.

Do you have a follow-up?

**Ms. Jennifer K. French:** I do, if I may.

Actually, can I take this opportunity to correct my record from earlier? I think I threw an extra C into the CCAA, so if we could go back and fix that.

A follow-up to the question I had asked earlier: Should the government give FSCO the same powers over pension regulation as OSFI has—you did say that legislation has been passed that would give FSCO some of the powers that OSFI has, but you said that that section of the legislation has not been proclaimed. Has the section not been proclaimed because a necessary regulation has not yet been developed?

**Mr. Brian Mills:** Again, in the fall economic statement, the government clearly stated this was a priority. Of course with the statute, there are always regulations that, in most cases, go with the legislation, so there’s usually associated regulations.

**Ms. Jennifer K. French:** Okay, I get that, but I’m going to interpret that to be that it hasn’t yet actually been developed or doesn’t exist, and if that’s the case, is there a reason why it hasn’t? Is it simply because it’s too technically complex, or is there political resistance or

resistance from industry stakeholders that’s maybe holding that up?

**Mr. Brian Mills:** Again I can’t comment; as the regulator, my job is to take the powers I have and use those powers for enforcement. The minister was quite clear in his fall economic statement on his plans with respect to giving us these additional powers.

**Ms. Jennifer K. French:** So no regulation exists. Would you make a recommendation, though, to the ministry? I’m just looking here at the summary status table in response to the report—“responsibility for initiating legislative reviews of regulatory requirements for each financial sector rests with the government.” Great.

What recommendations might you actually make to the ministry specific to getting this moving—if you could recommend anything?

**Mr. Lester Wong:** The government has different priorities. So we would talk to them and encourage them that regulations are required in order to have these powers, and to put it on their agenda. But that’s all we can do.

**Ms. Jennifer K. French:** So their priorities aside, though, do you see this as a priority?

**Mr. Lester Wong:** I can’t really comment on that.

**Ms. Catherine Fife:** What is our time?

**The Chair (Mr. Ernie Hardeman):** Two minutes.

**Ms. Catherine Fife:** I just want to finish up on the co-operative corporations because obviously conversations have been happening with the Ontario Securities Commission and there are obviously pros and cons. Would you like to weigh in on what your preference would be: either share or transfer the responsibility reviewing offering statements?

**Mr. Anatol Monid:** I don’t think it’s a preference one way or another. It’s to ensure that we have the right tools and the right cost-recovery framework in place in order to do this. If that’s not possible through the existing legislation or legislative changes, then perhaps an alternative model like the OSC might be more appropriate.

**Ms. Catherine Fife:** Thank you.

**The Chair (Mr. Ernie Hardeman):** With that, we thank you very much. We’ll go to the government side. Mr. Potts.

**Mr. Arthur Potts:** Following up on this, I know that the regulations are very, very complicated. There are a number of acts to be involved and to work through. In considering that the ministry also, last week, acted further on their fall income statement about a whole review of FSCO, that would all be playing into that, and the good work that you’ve done so far will continue. Can you maybe elaborate more on how you see that review process going forward with the ministry and the advisory panel that’s being put together for that?

**Mr. Brian Mills:** I can comment at a very high level. Again, there’s an expert panel that has been appointed. They will be looking at obviously all the aspects of FSCO’s mandate and what we currently regulate. They will be obviously, at some point, consulting with stakeholders and the general public on their views on FSCO’s mandate.



1420

There are three criteria, I think, that were in the minister's statement on this, and it's "whether, in the extent to which FSCO's mandate continues to be relevant to the goals and priorities of the government of Ontario, whether FSCO is carrying out the activities and operations as required in its mandate, and whether all or part of the functions of FSCO are best performed by FSCO or whether they might be better performed by a ministry or another agency or entity." So that's the broader mandate. In terms of the process, they'll definitely be out for consultation.

**Mr. Arthur Potts:** There was also another bill at the same time, Bill 236, I think, that is also tied up in the regulations. That's where the pieces all come together to expand on some of the powers.

The notion of devolving some of the responsibility down to industry associations for which you have oversight: Could you talk about how you would envisage, as a regulatory agency, devolving the requirement for police checks and holding insurance to individual sector groups, whether it's mortgage brokerages or insurance sellers or what have you?

**Mr. Brian Mills:** I think at the beginning I outlined where FSCO is at with respect to the interconnected marketplace and the fact that an integrated regulator is what FSCO is. It's integrated across a number of the various markets.

We believe FSCO is well positioned to monitor the interconnected marketplace for risks, to conduct appropriate licensing, to monitor and enforce activities, provide the government with a source of integrated and current policy advice—I think I said that right up front—and deliver the mandate. We also have the Drummond report, which talked about an integrated regulator assuming more responsibilities.

It certainly is the current trend in modern regulation—as I mentioned up front, an SRO, if you look at the ones that exist, they're really over one licence. They don't have multiple licences. Today, in the world we live in, brokers or agents tend to have multiple licences; they sell other products. If you did devolve, you have a situation where there would have to be a lot more communication between those SROs to make sure that nothing is falling between the cracks. With an integrated regulator, of course, we're doing all that work, so therefore we have much more control over those processes that you outlined: the police checks and things like that.

**Mr. Arthur Potts:** Right. I also recall that there were issues here about credit unions.

**Mr. Brian Mills:** Yes, there's currently a five-year review of credit unions going on.

**Mr. Arthur Potts:** And there may be opportunities for the fed regulator to have a broader oversight of that piece because of the way so many of the trust companies are operating across the country.

**Mr. Brian Mills:** That review is currently going on. Certainly the trend that we've seen at FSCO over the years is that there has been consolidation in the credit

union industry. Actually, some of the very large ones have been registered federally, so therefore they're out of the provincial purview; they're no longer regulated by FSCO. There is consolidation going on in that industry, so there are already opportunities happening because those companies themselves—those credit unions—are actually moving to a federal charter. Anatol?

**Mr. Anatol Monid:** Could we just clarify that they haven't gone federal; they've made inquiries federally?

**Mr. Arthur Potts:** Right. Did you want to—

**Mr. John Fraser:** I want to follow up on the co-op question, and I have another comment.

In terms of co-ops, there's no question there's a need for oversight, but I'm trying to understand the mix. We're talking about green energy, but my understanding of co-operatives is, they are often organizations put together to provide a community-based or group-based financial solution to things. I don't want to say "not-for-profit," but they're not driven by a motive of profit. So you've got two different types of co-operatives. Am I mixing up the two, or are those co-operatives all under your purview?

**Mr. Anatol Monid:** Financial co-operatives are typically credit unions, and they fall under both the Deposit Insurance Corp. of Ontario and FSCO's responsibilities. But those have a specific banking-type mandate. The majority of the type of co-operatives that FSCO has registered are housing co-operatives or daycares, so they're—

**Mr. Arthur Potts:** Agricultural probably, as well?

**Mr. Anatol Monid:** There are many of those as well. The nature of the business is, they are all member-driven organizations. The idea that something nefarious is going on is less likely in a member organization than in others, but sometimes that does happen.

**Mr. John Fraser:** My question is, in terms of your oversight and your costs, how you actually—I'm kind of suggesting the extraction of those costs is probably based on the nature of some of those co-operatives in terms of how much. So you may have to go through a scale of, if your purpose is X, or you're doing X, this is what you need to be compensated. Would that be fair?

**Mr. Anatol Monid:** Well, certainly the ministry's fees, when they were set up, took that into consideration, and they would take that into consideration for any amendment of that or any recommendations we would have. The ministry does provide FSCO with \$500,000 to subsidize the work that we do.

**Mr. John Fraser:** Yes, I know. I just wanted to know how we got where we've gotten to. I know things have changed. So when we take that approach, obviously, we'll have to look at the differentiation inside that category to recover some funds.

I don't know if my colleague has something to say here, but I have one more comment. To Mr. McDonell, we were talking about OPG and their pension. I just wanted to say that we are reviewing it and we are in the middle of report-writing. We can talk about it later, but I think your concerns will be addressed. I just wanted to let you know that.



**Mr. Arthur Potts:** It's also my understanding—pardon me, Mr. Chair—that a lot of the regulations have been drafted and some of the individual acts proclaimed, maybe not relating to all the matters under discussion, because they are still to come, but there obviously has been advancement on that since those acts unanimously came into force in 2010.

Quickly, can you maybe comment on the complaint mechanism system? You talked a bit about how it feeds into your assessment of pension plans that may be at risk, but in other departments, how do you manage complaints? Is there an adviser of members who have a concern, and they get the information back to satisfy those concerns? How do you manage the complaint process?

**Mr. Brian Mills:** Sure. I'll let Lester kick that off.

**Mr. Lester Wong:** Sure. If a member complains to us about their pension plan, we generally first advise them to talk to the plan administrator, because the plan administrator is charged with a fiduciary obligation to administer the plan, so they would be the most appropriate party to answer the member's concerns.

It's only when that fails to resolve the issue and the member comes back to us that we would intervene. We would then take a look at the issues that the member is complaining about and take the appropriate step. So if we needed to talk to the administrator, we would contact the administrator and try to act on behalf of the member to try to get a resolution.

**Mr. Arthur Potts:** So you do have in place a formal complaint resolution process—

**Mr. Lester Wong:** Yes.

**Mr. Brian Mills:** And members can actually, if they're not satisfied with our decision with respect to—say we support the plan administrator. They can appeal that decision to our Financial Services Tribunal.

**Mr. Han Dong:** If I can ask a quick one, I just thought of something. Again, going back to the pensions—December 2013, 92%, and December 2014, 78%. We're sitting at \$40.9 billion in unfunded pensions. In the same period, we haven't seen any increase in interest. What's your explanation of this decrease or decline in unfunded pensions, and, going forward, can you give us a little taste? Are you optimistic in 2015 and 2016?

**Mr. Lester Wong:** Actually, as I mentioned earlier, it's a little technical, but we look at the pension plans that have filed reports with us. So when we look at December 2014, some of those valuations are dated December 2013, because they haven't filed December 2014 yet because it just happened.

What actually happened is—I think I mentioned it—in the year 2013, from beginning to end, the median solvency funded ratio changed from about 73% to 94%, so it's about a 20-plus per cent improvement. What happened in 2013 was there was actually an increase in interest rates in that year, and the investment returns happened to be good in that year. The combination of those two helped improve the pension plans' financial funded position significantly. So that's what's led to these numbers.

**Mr. Han Dong:** What was the increase in interest rate? Was it a quarter of a percentage?

**Mr. Lester Wong:** I don't have that available right now.

**Mr. Han Dong:** Okay. I'm good. Thank you.

**The Chair (Mr. Ernie Hardeman):** Mr. Rinaldi.

**Mr. Lou Rinaldi:** Thank you very much. I want to go back to the oversight on OPG. They were here not long ago, sitting where you are, going through this process, and pensions certainly raised a lot of attention.

My understanding is that they're doing some review. I also understand that they possibly brought somebody in to help them with how to bring things back online. Can you give us some sense of your involvement in that piece? I think somebody brought it up in the past, but I know they are making an attempt. Do you follow through or do you wait until they are done and then you kind of look at it?

**Mr. Brian Mills:** I understand that there was a study undertaken by Jim Leech and that he was looking at the various public electricity plants. I understand that the report was filed with the government and I understand that they are looking at the recommendations related to that report.

Certainly downstream, if there were any new rules or regulations that were brought in, FSCO would have a role in reviewing that process.

**Mr. Lou Rinaldi:** I guess the other point is, did you have any input on that review?

**Mr. Brian Mills:** Sorry?

**Mr. Lou Rinaldi:** Did you have any input on that particular review?

**Mr. Brian Mills:** FSCO was not involved in the review by Jim Leech.

**Mr. Lou Rinaldi:** Okay. Thank you.

**The Chair (Mr. Ernie Hardeman):** Thank you. Anything further? If not, thank you very much. That concludes the presentation.

I want to thank the commission for coming in and being so helpful in your presentation. We do appreciate you taking the time and explaining some things to us. The Auditor General would also like to extend her congratulations to you, if that's the right way to say it.

**Ms. Bonnie Lysyk:** I just wanted to say thank you, because I know this audit was conducted during a period of time that was quite compressed and your team was very helpful in providing information to us. I think the responses that you provided to the recommendation are quite to the point and excellent. On behalf of my team, I just want to say thank you to your team.

**Mr. Brian Mills:** We thank you for the opportunity to come today, Mr. Chair, and we thank Bonnie for her comments.

**The Chair (Mr. Ernie Hardeman):** I would just point out, to the Auditor General's comments, that it's rather strange: When the committee saw the Auditor General's report, there were a lot of questions they thought needed to be answered, and today, as we started

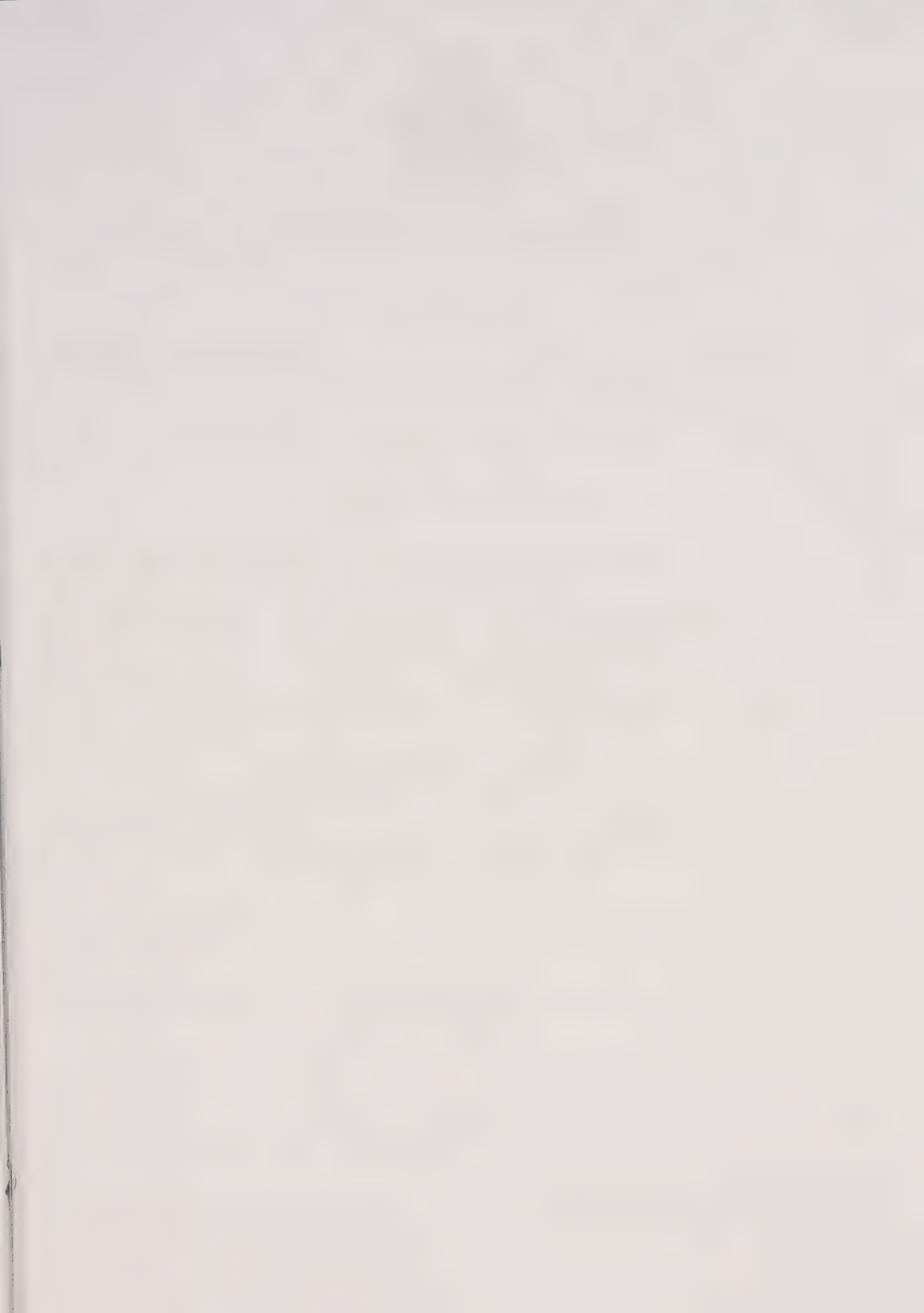


the meeting, a lot of those questions were answered in the responses that we had already received. So thank you very much for being here. We look forward to doing the report and giving you a copy of it.

**Mr. Brian Mills:** Thank you very much.

**The Chair (Mr. Ernie Hardeman):** With that, we will go in camera. We have to finish another report in report-writing. If we just wait a minute for the guests to leave, we can do that.

*The committee continued in closed session at 1433.*





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First Session, 41<sup>st</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 25 March 2015

# Journal des débats (Hansard)

Mercredi 25 mars 2015

## Standing Committee on Public Accounts

2014 Annual Report,  
Auditor General:

Infrastructure Ontario

## Comité permanent des comptes publics

Rapport annuel 2014,  
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Infrastructure Ontario



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## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Wednesday 25 March 2015

Mercredi 25 mars 2015

*The committee met at 1230 in room 151, following a closed session.*

2014 ANNUAL REPORT,  
AUDITOR GENERAL

## INFRASTRUCTURE ONTARIO

Consideration of section 3.05, Infrastructure Ontario—alternative financing and procurement.

**The Chair (Mr. Ernie Hardeman):** We'll call the Standing Committee on Public Accounts to order. We're here this afternoon for the consideration of section 3.03, Financial Services Commission of Ontario—no; wrong one. Hold on a minute.

We'll correct that. We're here for the consideration of section 3.05, Infrastructure Ontario—alternative financing and procurement, from the 2014 annual report of the Auditor General.

We thank you gentlemen at the end of the table for coming in from Infrastructure Ontario. We welcome you, and we would ask you to introduce yourselves for Hansard as any one of you speaks for the first time. At that point, Hansard will keep us in line, to make sure they know who to attribute the comments to.

We thank you very much, first of all, for coming in and helping us with this review. We've allocated 20 minutes to hear the presentation from Infrastructure Ontario. At that point, we will have questions and answers. This time, we start, I think—

**The Clerk of the Committee (Mr. William Short):** The NDP.

**The Chair (Mr. Ernie Hardeman):** —with the third party. Thanks for the help, Clerk. We'll have 20-minute rotations to consume the time.

With that, again, thank you for coming, and the floor is yours.

**Mr. Giles Gherson:** Thank you very much, Chair. I'm Giles Gherson, Deputy Minister of Economic Development, Employment and Infrastructure, province of Ontario. Thank you for the introduction.

I'd like to thank the committee for inviting me here today, and the Auditor General for her thorough review of alternative financing and procurement, or AFP, as it's called.

I'd like to share the time allotted for opening remarks with Infrastructure Ontario's chair, Mr. Tony Ross, who

is to my immediate right, and IO's president and CEO, Mr. Bert Clark, to his right.

AFP is being used to successfully deliver much-needed major infrastructure projects right across Ontario, from courts and jails to highways and transit. AFP is a highly disciplined, rigorous procurement approach that fosters innovation, gets infrastructure projects completed on time and saves the province money over the life cycle of the asset.

At the outset of my remarks, I think I should address what has become a major focus of media attention following the Auditor General's review; namely, what was taken to be \$8 billion in higher costs attributed to AFP projects, compared to traditional build. I believe this single number, used in isolation, has severely distorted the discourse around alternative financing and procurement and misrepresented what the report said.

The Auditor General's report clearly states that the \$8-billion cost was more than offset by the costs of the risks typically associated with the public sector directly contracting the construction and maintenance of major infrastructure. I'd like to drill down on this offset point.

I'm sure the committee appreciates that the building of any major infrastructure projects comes with risks such as delays, flaws, scope changes and substandard long-term maintenance that translate into actual cost increases, so it needs to consider another crucial number: the \$14 billion in transferred risks associated with 74 large infrastructure projects built using AFP.

The report, in fact, confirms that through the AFP model, the government spent \$8 billion to transfer \$14 billion of project construction, repair and maintenance risk to the private sector. It bought an insurance policy, if you like, to protect taxpayers from overruns, delays and flaws that history shows are endemic with publicly built and managed projects, not just here, but around the world—everywhere.

As a result, there has been a net saving of more than \$6 billion. That's what the math shows. This \$6 billion in savings to taxpayers has allowed the government to further invest in other important infrastructure projects. This is why the government was troubled by the attention given exclusively to the \$8 billion in perceived additional costs associated with AFPs, related to risk transfer to the private sector.

Since 2005, some of the largest, most challenging projects have been delivered through AFP, a made-in-



Ontario form of public-private partnership. AFP is not privatization, but since private sector money is involved, and on the hook so to speak, companies have a very large incentive to manage projects effectively. As a result, AFP has established a track record for delivering major projects on time and on budget, with the private sector committed to appropriately maintaining them in the long term. And that's where the government reaps significant savings.

Every AFP project in Ontario has been procured through a highly competitive process. On every project, an average of five to seven bidders participate in the process. These are shortlisted to three finalists, each of whom has the technical expertise and capacity to develop the project. The winning bidder is chosen based on their responses to the RFP, which includes both technical specifications and pricing.

A recent third-party review found that the winning AFP project bids are typically 10% lower than the average bid and 19% lower than the third-place bid. Competition clearly drives bidders to lower pricing.

Regardless of the number of companies taking the lead role in an AFP, there are thousands of smaller local subcontractors across the province that participate in each project.

There is another benefit to this model: AFP project teams drive innovation in the construction of infrastructure. They are given a high-level idea of what the infrastructure needs to accomplish, rather than highly prescriptive technical instructions on what should be built, as is the case with a traditional build. They are told, for example, that a hospital must be able to serve 5,000 patients a day, that it must have parking for 2,000 cars and incorporate natural light and pleasant views. Developers then assemble a team of experts and figure out the best way to accomplish those goals, both in terms of construction and design. This is an inherently innovative process.

Consider St. Joseph's Healthcare Hamilton West 5th Campus: The winning bidder took an innovative approach to the layout of the facility and created significant value. They proposed building the facility to account for the natural contours of the land. This allowed them to build a more compact building. That shortened the construction schedule and lowered construction costs. In fact, the winning bid was fully 27% lower than the average of all bids. It also was evaluated as the best design.

The point here is that innovation in project design and construction is one big benefit to the AFP model. Protecting the taxpayer is another. The government developed the AFP model because the broader public sector has, frankly, a less-than-stellar record, here as elsewhere, in delivering big projects on time and on budget. This is important because the Ontario government is planning to invest over \$35 billion in infrastructure over the next three years. Using the AFP approach for large, complex projects, Ontario expects to reduce costs and save money over the life of these projects.

Most of Ontario's public infrastructure continues to be delivered through conventional procurement methods, but experience shows that this method can be subject to significant risk, not least of which are government budgetary pressures these projects can become subject to. Consider the Brampton courthouse, which actually was in the paper today. Designed to serve the needs of a rapidly growing community, for budgetary reasons, the building was scaled back by two floors once construction had begun. The result today is a relatively new building struggling to serve the actual demand for space. Under AFP, and the transfer of risk over a 30-year period, the building plan would have been locked in, protected from the uncertainty of annual budget cycles, costly scope changes and so forth.

Additionally, government budgetary pressures can detrimentally manifest themselves in the form of deferred or delayed maintenance on public buildings. This happens the world over. Unfortunately, there is no shortage of public sector buildings across the province today that would have much greater value and life span had they received consistent maintenance funding in the decades since they were brought into service.

Under the AFP model, the contractor is often responsible for maintaining the infrastructure for 30 years. At the end of this period, the facility must be transferred back to the government in good working order. The point here is that the AFP model has built-in safeguards against poor asset management practices.

While AFP may seem to be more expensive at the outset, when we use AFP, government is not typically on the hook for delays or cost overruns. That burden falls on our construction partner, and that means they work harder to meet the deadlines and keep costs down. A good example of AFP working to protect the taxpayer is the Windsor parkway project. During the construction of the parkway, it was discovered that substandard girders were being used. Ultimately, more than 300 girders were replaced to address concerns of durability. As a result of the strong contract provisions in place, the developer paid the entire cost to remedy the problem. There was no cost to the taxpayer.

The truth is you can't put a shovel in the ground on major infrastructure projects without having some surprises. The question is, who should bear the costs and risks? Alternative financing and procurement is a tool designed to protect taxpayers from the risk of cost overruns and delays. It has done so over the past decade, with \$6 billion saved when you subtract the total risks from the actual amount spent.

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It is true that we don't precisely know, and won't know for some time, the true cost or benefit of transferring risk on AFP. While AFP has been around for 10 years, the major infrastructure projects constructed under this procurement model have a life of 30 or 40 years or more. If flaws emerge in five, 10, 15 or even 20 years, the cost will fall on the builders, not on the taxpayers.

So Infrastructure Ontario and the Ministry of Economic Development, Employment and Infrastructure are



committed to implementing the recommendations from the Auditor General's 2014 annual report. And I want to say, they are helpful and positive. The AFP process, and indeed, public procurement generally, are on a journey of continuous improvement. The AG provided useful advice that we are reviewing closely, and we accept her suggestion that there needs to be better data analysis. We're giving serious thought to ways of refining the criteria for when to use AFP and determining the appropriate threshold level for when AFP makes sense. Mr. Clark will go into more details in his remarks. We want to ensure that Ontario continues to be the leading jurisdiction for modern methods of infrastructure policy, procurement and delivery.

As the auditor says in her report, the track record of IO and AFP is strong. In the past decade, there has been significant improvement in the number of projects coming in on budget and on time. IO and the AFP model bring discipline, rigour and controls to projects that previously were prone to rethinking or redesign late in the game, changes that led to deadlines being missed and cost overruns.

Perhaps a good indication that this model is working is the interest in the international community in emulating it. Several US states, the US government and 40 jurisdictions around the world have all expressed interest in adopting the AFP process and are looking to Ontario's model. The AFP model has helped position Ontario companies to compete for business in other countries and export their expertise around the world.

I look forward to answering the committee's questions with my colleagues. Before I do, I would like to invite Infrastructure Ontario's chair, Mr. Tony Ross, to offer a few opening remarks on behalf of IO's board of directors. And here, I would like to note for the record the very high quality of IO's board and the seriousness and thoroughness with which it engages its work. They are putting their significant private sector expertise in finance, engineering, law and procurement to work in the public service.

Now I'd like to ask Mr. Ross and Mr. Clark to offer further insight into IO's work and how it is addressing the recommendations of the auditor.

**Mr. Tony Ross:** Good afternoon. My name is Tony Ross. I have been chair of Infrastructure Ontario's board of directors since the agency's creation in 2005. I appreciate this opportunity to appear before the committee and to discuss Infrastructure Ontario's work and accomplishments on behalf of the province.

Infrastructure Ontario has a diverse and highly experienced board, whose members consider it a privilege to contribute to the building and maintenance of Ontario's public infrastructure. Our role as board members is to ensure consistency with IO's core mission: to ensure that our projects deliver value for money, that we uphold principles of transparency and accountability and that we protect the public interest in all of our operations. Above all, we work to ensure the government's and the private sector's confidence in our ability to deliver upon what we

promise. I can assure you that our board takes our responsibility to the government, to our clients, to our partners and to the people of Ontario very seriously.

The alternative financing and procurement model was created in order to reduce the potential for cost overruns and schedule delays by transferring risk to the private sector. Our board views the AFP model as the most responsible, effective approach to the delivery of large, complex projects that carry such risks.

The board does not approve proceeding with a project, including using AFP, unless the overall benefit of transferring risks outweighs the overall cost, including the cost of private financing. The process is rigorous, and the review by the board of directors is thorough.

The board of directors has reviewed the Auditor General's findings relating to the AFP program. We have assured our minister that we will oversee the prompt implementation of the report's recommendations.

In particular, we agree that our success with the AFP model can be leveraged to further improve risk management on projects where traditional delivery methods are employed.

IO is committed to building on its track record by continuously adapting and improving how it operates. The board of Infrastructure Ontario has confidence in the capabilities of IO's management team and is committed to ensuring continued delivery of strong results in a manner that protects the public interest.

Thank you for this opportunity to address the committee. I know that we are all eager to answer any questions you may have on AFP and how we deliver value for money to the people of Ontario.

**Mr. Bert Clark:** Good afternoon. My name is Bert Clark. I'm the president and CEO of Infrastructure Ontario. I'd also like to introduce Ehren Cory and John McKendrick, who is seated with his hand up, two of our executive vice-presidents.

Thank you for the invitation to speak with you today. I also want to thank the Auditor General. We believe the 2014 report makes a significant contribution to the healthy ongoing discussion around how the province delivers its infrastructure. We believe the report correctly acknowledges our strong track record and the fact that AFP has a role to play on larger, more complex projects.

The report also helps steer project managers toward the right questions to ask; namely, which projects are appropriate candidates for P3 or AFP and how much private finance is required to transfer risk?

It's probably worth pausing to explain what AFP is. At its core, it's simply a series of very simple changes we made to deliver projects that address the root causes of most cost overruns.

First, we do not break up large projects into smaller projects and tender them separately. Breaking up projects leaves enormous risk with the public sector. The Big Dig in Boston is the best example of what can happen when the public sector is trying to integrate many separate projects. That project increased from a budget of approximately \$3 billion to \$15 billion.



Second, we do not pay until projects are complete, or at least we try and limit the amount we pay until completion. This gives us tremendous leverage when disputes arise, and they invariably do on large projects. In the past, builders had all the leverage because they had nothing invested in our projects. They could threaten to walk if disputes were not resolved in their favour. We have now leveled the playing field.

Third, we require builders to design the projects to meet our specifications. This eliminates one of the major sources of cost overruns in the past: change orders to deal with deficiencies in designs. Now, when there are design issues, the builder must resolve them at their cost.

Finally, we hold builders accountable for the long-term quality of the asset by paying them a portion of the construction cost over time. If buildings don't last well, we don't pay for the cost of addressing the performance or durability issues.

Since our establishment 10 years ago, our major projects division, run by John McKendrick, has completed 46 projects; the construction value was over \$10 billion. A review of the track record conducted as of last March confirmed that 97% of the completed projects were on or below budget; 73% of those projects were delivered within a month of their scheduled completion date. This is a very strong track record.

We're not alone, however, in deploying modern project delivery techniques in order to better align public and private interests and protect the public sector from the risks associated with large projects. Both Australia and the United Kingdom have done so for quite some time, and both of those jurisdictions are already ahead of us in terms of collecting comparative data documenting the relative success of modern project management techniques such as AFP or P3 versus more traditional approaches.

As a result, there is a growing body of evidence that P3s provide the public sector with strong protection from cost overruns. For example, in 2008, the University of Melbourne published a paper which concluded that final costs were, on average, 4.5% more than the original contract price for P3s versus 18% for traditionally delivered projects. The Australian results for P3s are consistent with the results set out in our March 2014 track record, which I referred to previously.

And there are regular reports in Canada of traditionally delivered projects that have significantly exceeded their budgets, often by more than the 18% average. For example, the last large hospitals the provincial government delivered using traditional means were 75% and 150% over budget. Over the coming year, we're going to be working with the ministry to collect this Canadian and global empirical evidence.

Let me conclude by reiterating what I said at the outset. The right questions to ask when it comes to AFP are, which projects, and how much private finance? Our experience and that of countries such as the UK and Australia confirm that modern project delivery techniques like AFP and P3s protect the public sector from

cost overruns. As people think about and discuss AFPs, the real question is how to use the technique in a cost-effective manner.

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In that regard, we're working with the ministry to review the screening threshold for future AFP projects given the project management experience IO has gained over the last 10 years and the experience of other Canadian jurisdictions. We constantly look for opportunities to reduce the amount of private finance in each of our transactions in order to reduce the cost of risk transfer.

Thank you very much for the opportunity to appear before you today. We would be pleased to respond to your questions.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That pretty well concludes the 20 minutes. We'll start now with questions from the third party. Ms. Fife.

**Ms. Catherine Fife:** Thank you for being here today. I think the Auditor General's report really garnered a lot of attention for many reasons. And I agree: The \$8-billion number is really shocking. I think it's incumbent on all of us to peel back the layers and get to the core of that issue.

I want to start off, though, by asking you—the Auditor General met with you. She consulted with Infrastructure Ontario. Obviously, you were very involved in the review because she was going through your documents. You responded in the report to some of her recommendations, expressing some interest and validating some of her findings.

Then, on December 5, though, you wrote a letter to the Minister of Economic Development, and it was a very defensive letter, I have to say, and it was very political. You challenged some of the findings, especially around risk transfer and around the cost of borrowing money.

I guess I'm wondering, why did you not raise these issues with the auditor throughout the entire process so that Infrastructure Ontario—if you have the empirical data, for instance, to justify the cost of risk transfer, why was that not embedded in your response contained within the report?

Anybody can answer.

**Mr. Bert Clark:** You're referring to the—we actually provided a binder, and in tab 1, the letter from our board.

**Ms. Catherine Fife:** Yes. It's signed by all the board members.

**Mr. Bert Clark:** Right. We actually had a very productive relationship with the auditor. As I said at the outset, we think the report will make a valuable contribution to the discussion about how to deliver the province's infrastructure. All of the recommendations, frankly, we have undertaken. We've provided a table today that updates the committee on the status of all of the recommendations and our progress in working through them—all that to say, we actually think the report made a valuable contribution to the discussion around infrastructure.

**Ms. Catherine Fife:** Just to get back, though, to the question, the letter says, "There is a common misconception that AFP delivery is more expensive." The



Auditor General did highlight the high cost of borrowing for the private sector. I mean, the government can borrow money for these infrastructure projects at a much more competitive rate. Can you comment on the high cost of borrowing money?

**Mr. Bert Clark:** What the auditor's report said was that Infrastructure Ontario transferred \$14 billion of risk at a cost of \$8 billion, which left the public sector ahead \$6 billion. We agree.

**Ms. Catherine Fife:** Okay. In the same letter, you say, "As a result of almost 10 years of project management experience, IO is well positioned to implement infrastructure projects using AFP as well as other traditional delivery methods."

The auditor raises the issue of the threshold, the \$50-million threshold. Would you like to comment on whether or not Infrastructure Ontario—are you looking at a higher threshold, perhaps the \$100-million mark, for traditional?

**Mr. Bert Clark:** Before Giles talks to something, I think it's worth people knowing that every year we deliver 4,000 projects using traditional means.

**Ms. Catherine Fife:** Under \$50 million.

**Mr. Bert Clark:** Right, 4,000 projects under \$50 million. We use the appropriate technique depending on what the project is. We're not the same organization we were 10 years ago. We think we've developed a significant amount of project management experience—4,000 traditional projects and over \$10 billion of AFP projects—so we're always looking at whether and when we use that technique. In terms of a broader policy decision around what that threshold is, I'll let the deputy speak to that.

**Mr. Giles Gherson:** Well, I would simply reiterate what we said, which is that we certainly are looking at the recommendations of the Auditor General. The threshold is something that we're reviewing as we speak, so we're giving some close attention to that, as to whether that threshold, that \$50 million, should shift.

**Ms. Catherine Fife:** The Auditor General went on in her report to say that Infrastructure Ontario is not checking to ensure risks they assumed were to be borne by the private sector were in fact spelled out in the final AFP contract. What is the response of Infrastructure Ontario? Because the entire premise is that due process was being followed through these contracts.

**Mr. Bert Clark:** Is the question, does our contract map to the risk matrix? It does. We're always, frankly, updating both of those, so there can be temporary misalignments, but as much as possible, those two things do exactly align.

Maybe I'll let Ehren answer. Ehren's our head of structuring.

**Mr. Ehren Cory:** Ehren Cory, executive vice-president in charge of transaction structuring.

In the work with the Auditor General's team, we did a very detailed exercise. The Auditor General's team did this mapping exercise, as we call it. As Bert mentioned, there were a few specific instances, on one project in

particular, where a risk was mapped as being transferred to the private sector, and that didn't match the documentation. We think that was a great exercise, and it's one, as you see in our response to the auditor's recommendation, that we plan on continuing on a more ongoing basis, to make sure that there's consistency between the risk matrix that we're using and our contract documents.

**Ms. Catherine Fife:** So you're still in the process of determining your risk matrix?

**Mr. Bert Clark:** Well, every project is unique—

**Ms. Catherine Fife:** I know, but there must be some model. I mean, this is exactly the question. The transfer of risk—the model, from our view, is a flawed model. My question to you is, are you reviewing the model with which you assess risk?

**Mr. Bert Clark:** We have a standard starting-point risk matrix which we use for different asset classes. Every project is unique, and the risk matrix—the risks are updated for every project. We have that for different asset classes, and every time we do a project, we go through the project and we assess the risks. We do that with the help of external professional cost consultants, and the results of that are presented to our board as part of the value-for-money case. We don't proceed with a project unless the view is that there is value for money and protection of the public interest.

**Ms. Catherine Fife:** Okay. I'm going to go back to the financing. I think all of us here understand that ultimately governments pay for either traditional public sector delivery or AFP. The taxpayers, the citizens of this province, pay for these infrastructure projects. But considering the far higher costs of financing for AFP builds, is it not the government's—and, by extension, then, Infrastructure Ontario's—responsibility to develop the expertise required to increase the number of infrastructure projects built through traditional public procurement methods?

I think that's for you, Bert.

**Mr. Giles Gherson:** Well, that sounded like a policy question, so I'll answer that, and perhaps Bruce Singbush, my ADM, realty, could supplement what I say.

I think that from our perspective, as Bert has said, IO assesses every project on its merits in terms of whether it's deserving, whether it's worth having, using the AFP approach versus a traditional approach. Where you draw the line—you know, we talked a bit about the \$50-million threshold, so that's one clear demarcation. But beyond that, these projects are, as Bert has said, very complex usually and need to be assessed very carefully.

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From our perspective, we're comfortable with the projects that have been chosen so far for AFP. I think it's possible, as we move forward—and IO has developed considerable expertise in the past 10 years, as Bert said—that some of the same kinds of savings that we've garnered in AFP projects could be had from strong management of traditional builds. But that's a grey area. I don't think anybody is going to—

**Ms. Catherine Fife:** I don't know. Why is it a grey area?



**Mr. Giles Gherson:** It's a grey area because—in my remarks, I went to some trouble to identify that, while there is a risk, there's a transfer, there's a cost that comes with the AFP model, there is a massive benefit in terms of the forgone costs; in other words, the risks that are transferred to the private sector through the life cycle of a complex large project. And—

**Ms. Catherine Fife:** But the Auditor General—I'm sorry to interrupt you—found that Infrastructure Ontario was projecting that the risk was five times higher in a traditional method, and yet she could find no empirical data. Infrastructure Ontario could not prove that the risk really was five times higher in a traditionally delivered public infrastructure project. That's what I'm trying to get to. This is your chance to tell us why five times.

**Mr. Giles Gherson:** Let's not go into the five times, but let's—

**Ms. Catherine Fife:** Well, that's my question.

**Mr. Giles Gherson:** Yes, but I think we're trying to find a level of precision that may not be there. But I think it's very obvious, from the examples that we've cited and from experience around the world that there are significant benefits to the transfer of risk to the private sector in large complex projects. Bert cited a number of studies that have been conducted to that effect, and I don't think the Auditor General refutes that. You can—

**Ms. Catherine Fife:** Listen, this is not about defending the Auditor General. This is about getting to the heart of the matter as to why Infrastructure Ontario attributes five times the risk to a traditional public infrastructure project, and when Infrastructure Ontario could not prove how you came to that five-times-the-risk number. That's something that I think Infrastructure Ontario is going to have to answer for at some point.

*Interjection.*

**Ms. Catherine Fife:** Sure, please.

**Mr. Bert Clark:** In my opening remarks I referred to a study out of Australia where they've been doing this for longer than us so they actually have a good sample of AFP projects, which we, frankly, have now. If you've read our track record, you can see the data on that, the sort of performance we have, where we typically end up about 2.5% different from the contract price by the time we're substantially complete. That is a remarkable result. In Australia, they typically end up about 4.3% on their P3 projects. On their traditional projects, they end up at about 18%. So if you look at the relationship between those two things, 4% and 18%, it's not so much different than the 5-to-1 you're referring to. But we don't actually just take a 5-to-1 ratio; 5-to-1 is an average that was drawn from—

**Ms. Catherine Fife:** I think in the overview, though, of the 74 projects, when you average them out, that's the number that—

**Mr. Bert Clark:** But that's not what we do. We don't come at the risk by saying, "Let's just multiply that number by five."

**Ms. Catherine Fife:** No—

**Mr. Bert Clark:** What we actually do is have a professional cost consultant who does nothing but estimate

costs for public and private owners, and they estimate the costs and risks for us.

**Ms. Catherine Fife:** I'm glad that you actually went to the consultants that are doing the value-for-money assessments and the risk assessments. I'm glad that you moved to that point, because the Auditor General—this is of huge concern to us as New Democrats—in recommendation 7, she addresses the issue of conflict of interest. So the companies that are doing the value-for-money assessments and who are charged with reviewing the contracts to determine whether or not it should go public, a traditional procurement or an AFP procurement, have a vested, pecuniary interest in doing so. We heard that it's almost between 15% and 20%. So infrastructure Ontario has a serious—I mean, you mentioned that you're concerned about the perception that AFPs are not in the best interest of the public. I'm more concerned about how the value-for-money assessments are being determined, why every single one of those 74 came to the place where it should be delivered by AFP, and why there is such a lack of oversight at Infrastructure Ontario to determine that this conflict of interest is not clearly defined. I would have thought an agency of the government—

**Mr. Bert Clark:** Sorry, what's the conflict of interest that you're referring to?

**Ms. Catherine Fife:** On recommendation 7, the Auditor General references that the companies that are conducting the value-for-money assessments actually do have—that "Infrastructure Ontario should ensure that participants involved in evaluating the submissions sign the required conflict-of-interest declaration," and that was not happening. You can understand why that would be a huge concern.

**Mr. Bert Clark:** Right. I think what was being referred to was that the bids are evaluated by evaluation teams. None of the cost consultants that I was referring to—this is an entirely different subject—those people sign conflict-of-interest declarations. In certain instances, people forgot to do it or we couldn't find the records. We've now tightened up that process and made sure that that doesn't happen, that things don't get missed or misplaced. It's not the cost consultants.

**Ms. Catherine Fife:** So you consider this just to be an administrative issue, that you—

**Mr. Bert Clark:** It's a very important issue, but it's not the cost consultant issue that we were talking about previously.

**Ms. Catherine Fife:** Would you like to weigh in?

**Mr. Taras Natyshak:** Some fairly simple questions—thank you, Chair. How many minutes? Three, four?

Of the 4,000 projects that IO oversees—the question is, of the projects that fit over the \$50-million threshold, how many are specifically P3s and how many have you chosen to use the traditional funding method?

**Mr. Bert Clark:** Of projects over the last 10 years, how many over \$50 million weren't P3s? Is that the question?

**Mr. Taras Natyshak:** Yes.

**Mr. Bert Clark:** I'm not sure I can answer that question, but I'll tell you that over \$50 million the risks



increase dramatically. Those are the projects we tend to use some variety of AFP.

By the way, there's a wide range of varieties of AFP. For some of those projects we had the private sector build it and finance it for the construction period, then we paid them out. For some of them, we had them design it, build it, finance it, then we paid out all the construction costs. For some of them, we designed, built, financed and maintained it for the 30 years.

**Mr. Taras Natyshak:** Yes, I understand the model. Of the 4,000 that are under your oversight, as an amalgam, is there a cost overrun there? Of those 4,000 that are under the traditional model, can you say that they far surpass any value for money? Do they fall way outside of the parameters? Are they more expensive in general, or do you study them? Because the Deloitte report notes that there is no systemic performance data tracking for traditionally delivered projects in Canada. So how do you measure those?

You've said unequivocally that P3s provide better value for money. They come on budget and on time. I would hope they do, as we would hope any infrastructure project does in the province. But there is also a buffer that's built in to mitigate any of those costs and we pay a premium for that. That should be expected. However, are you saying that the 4,000 that we currently do under traditional models are always more expensive, they come over budget and over time every time, at every point?

**Mr. Bert Clark:** What I would say is, AFP is a tool that you would use for larger, more complex projects where there's more risk. A smaller project—the projects under \$50 million range from thousands of dollars to \$50 million—

**Mr. Taras Natyshak:** But do they come in on budget, by and large? Are you measuring whether they do? If it's a \$50,000 project, then I would assume that if it goes over budget \$5,000, that's a large percentage of an overrun on that project. Are we measuring those, and can you quantify whether those projects are being delivered on budget and on time as well?

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**Mr. Bert Clark:** I think we actually have a very good track record, whether it comes to AFP or traditional, and we're much more comfortable using traditional methods for under \$50 million.

As someone who does project management for a living, who has 100 people who do nothing but project management for a living, they would not recommend using that same tool, AFP, for the small projects. They would, similarly, not recommend using the same project delivery technique that you use for a \$10,000 painting job on a multi-billion dollar LRT.

**The Chair (Mr. Ernie Hardeman):** Okay. Thank you. That concludes the first set of questions. Mr. Potts.

**Mr. Arthur Potts:** Thank you, gentlemen, for coming here today. I appreciate this opportunity.

I want to maybe step back into the first principles of why IO was established in the first place. I wasn't here as part of government at the time, but as a taxpayer, I was

quite aware of this perception, reality or not, that the public running the large projects was out of control, that projects were going way over cost.

I'm just looking at your December 9, 2014, press release here. It seems awfully compelling that the projects that were AFP were typically almost all under budget, and the ones that were not were over budget, so that assuming a risk and having other people take on that risk seemed to be a prudent thing to do.

What seems to be troubling us in the audit is, I guess, the characterization in the auditor's report of \$18.6 billion, whether that's a realistic risk figure. So that's something that we've been struggling over, because not appreciating that is what takes us down to this \$8-billion overrun concept.

Could you maybe extrapolate on whether those risk factors here are—and explain more fulsomely why it is those are appropriate risk factors, particularly on the maintenance over a 20- or 30-year period? You addressed part of it in your remarks, but I'd like to hear a little bit more on that.

**Mr. Giles Gherson:** I'll just start off in a more general way. I think, to take the point that Bert was just making earlier about the way the risk profile of a project rises with the scale of the project, it's a bit akin to—I think it's been mentioned—it's like an insurance policy.

If you lived in a rural area and there was no traffic on the roads, you might actually wonder why you pay the kind of insurance premiums that you do. Am I really getting value for money there? But if you drive in the middle of Toronto every day going to work during the kind of congestion that we have, you would probably value paying the insurance premiums. Now, you don't know you're going to have an accident, but you know what the statistics are, and you know that the likelihood is quite strong that you're going to have one, possibly, over the time of your driving experience. So that's why you pay your insurance premiums.

The value for money is transferring the risk to the private sector, having their dollars at stake, if you will, on the hook, for the completion of the project, on time and on budget, for the quality of the work, for the maintenance of the project over time to ensure that there aren't flaws that crop up, and if there are flaws that crop up over time, they're dealt with by the contractor themselves, rather than the government. They've got legions of examples of buildings in this space where there hasn't been necessarily the ability to fund the maintenance and repairs the way one might like to do just because it's expensive and government has competing priorities. So you transfer that to the private sector, with a requirement that at the end of the 30 years, or the life cycle of the building, that when it's transferred back to the government, it's in good working order.

All of that risk is transferred to the private sector. So it's hard to imagine, given the experience that we've had, what we know about the experience with traditionally procured projects, that, in fact, it isn't a benefit to do the way of the AFP model.



This government came into power, I think, not necessarily sure that it was going to be interested in doing P3 projects, but it looked at the kinds of infrastructure requirements that it faced and then looked at some of the history around at that time of public sector projects that were grossly over budget and off time and it decided to adopt the AFP model. So it wasn't an ideological thing; it was a practical approach based on what they saw in other jurisdictions.

**Mr. Arthur Potts:** Right. So the risk factor—  
*Interjection.*

**Mr. Arthur Potts:** Go ahead. Sorry.

**Mr. Bert Clark:** Maybe I'll rewind: About 10 years ago, the average age of a hospital in Ontario was 42 years, and medicine had changed a lot in 42 years. You literally could not do in these facilities what people needed to do today. It was the average age, so almost every community had a hospital that was old.

At that time, the last two projects to have been delivered by the government were 75% and 150% over budget. They had asked Tom Closson, the former head of UHN, to investigate what happened. Those were not freakish events. That was what happened when the province delivered big projects. They started to look around the world and say, "Who has addressed their infrastructure deficits in an effective way, on time and on budget? What did they do to that?"

They started to make the changes that we now routinely do when we deliver projects, which is that we try and align the private sector's interest to ours so that they've got an incentive not to drive costs up, but they get projects built as soon as possible, on time and on budget. In order to do that, you need them to have some money at risk, too, not just have our money at risk, which was the way it used to be in the past. You need to have them design the building to meet our specifications so that when there are errors in designs—anyone who's been involved in major projects knows there are invariably design issues—those aren't opportunities for change orders to drive up costs; those are issues they need to address on their dime. So we made a bunch of those changes.

In that period of the last 10 years, Ontario has been one of the most active infrastructure markets in the world as a result, delivering 46 projects valued at over \$10 billion. Our projects come in on time and on budget because we made a very simple set of changes for the right reasons, for project management reasons, to get public infrastructure built.

**Mr. Arthur Potts:** Would it be fair to say that in that \$18.6-billion aspect for retained risk, maintenance long-term and the building is a significant piece of that?

**Mr. Bert Clark:** It is. At Infrastructure Ontario, we have a few business lines. One is, we build the major projects for the province and other crown agencies. We also happen to manage the existing portfolio of traditionally built projects—Macdonald Block, courts, special schools and prisons around the province. That portfolio is now being refreshed, but a lot of it actually is projects

that were traditionally delivered many, many years ago. So we know that when builders are not required to build things to last, they don't build them to last. They build them to win the contract and make as much money building it as they can, and we're left maintaining it for 30 years.

I can tell you that for our AFP projects, we now have 100% certainty about what these projects are going to cost the public sector for their life, and we know what they're going to look like at the end of those 30 years.

**Mr. Arthur Potts:** Excellent. There is a perception that they come in on time and on budget, and I'm hearing sometimes under budget, because the price is artificially inflated to start with. It's easy to come in on budget if your price starts out way too high. Can you maybe address that as a perception, particularly within the procurement process: how aggressive we are about getting numerous bidders to the table, how that process works to ensure that it's competitive, that pencils are as sharp as possible, and where the innovation that may come along with building is seen in the project development?

**Mr. Bert Clark:** Sure. You obviously can't build a buffer into a project if you're competing vigorously with another builder to build something. We have very, very vigorous competition for our projects. As I said, we have one of the most active infrastructure markets in the world. Domestic players and international players are competing vigorously to build our projects.

Typically, on the largest projects where there's a maintenance component, we will start with five bidding teams—a builder, an operator and a design firm; five teams like that—who will attempt to qualify to bid our projects. We'll short-list that to three; from an efficiency perspective, it doesn't make sense to have five teams bidding for the project. We short-list that to three. They bid very, very aggressively to win the projects. They're then held to account for whatever number they give us. That's all we're giving them for 30 years.

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I should say, one of the things that we've been most surprised at over the years is the kind of innovation you get in design when, rather than prescribing what the building is to look like, whether it's going to be made of brick or glass or concrete or steel, you tell them the output you want. It's not at all unusual for us to have the winning bidder significantly inside the two losing bids and then, again, significantly inside our budget.

**Mr. Arthur Potts:** I guess you were referring to St. Joseph's Healthcare, for instance, as an example of that innovation, and you're probably referring to Sudbury and Thunder Bay as projects that, beforehand, were way over cost. We see it continually, still—the extension of the TTC line up through York University and such, where, in a traditional model, the contractor walks off, it's years behind and it's getting more expensive.

Are there other larger, significant examples of these kinds of public cost overruns that aren't under IO's purview that you would point out?

**Mr. Bert Clark:** I'm not sure I want to point to anybody else's projects, but if you google "cost overrun" in



Canada, you get a long list. If you open the paper weekly, you get examples that are close at hand.

Big projects have very big risks and if you're left with those risks and the private sector has an incentive to drive up costs, you will almost invariably end up with cost overruns. What our model does is push that back, push those risks on to them and have them drive towards being on time and on budget.

**The Chair (Mr. Ernie Hardeman):** Mr. Fraser?

**Mr. John Fraser:** Thank you, Mr. Chair. Just to follow on that question, the cost of borrowing in the private sector is really the third-party lever or hammer, if you want to call it that, to help drive your risk down; right?

**Mr. Bert Clark:** Yes.

**Mr. John Fraser:** You use that.

**Mr. Bert Clark:** Correct.

**Mr. John Fraser:** In other words, it's not a direct contractual relationship. There's a third party that's involved there that's putting pressure on the builder by virtue of their commitment to get that done on time.

**Mr. Bert Clark:** Right.

**Mr. John Fraser:** And to live up to your contract, which is the pressure on the other side. Is that an accurate description?

**Mr. Bert Clark:** Precisely. Interestingly, financing for us is actually a by-product of a very powerful tool that we use, which is not paying people until we get what we want. We don't go out to privately finance projects. In fact, as was said earlier, ultimately this is going to be paid for by us, but we're not going to pay for it until we get what was committed to, and then, once it gets into operation, we're certainly not going to pay if they didn't deliver what they said.

Because we don't pay them, they need to go out and borrow their own money and they now need to account to that person for late delivery. If they're not getting paid, now they've got to explain to their lender that they're not getting paid because they haven't got it built on time. And if we get into operations and the building doesn't perform, we don't pay them. Again, they need to answer to someone else. As I said, we're not actually privately financing these things; we're just not paying people until we get what we contracted for.

**Mr. John Fraser:** Okay. Thank you very much, that's really helpful.

I want to ask a question about capacity. You touched on that a bit earlier: 46, 47 projects over the last 10 years.

**Mr. Bert Clark:** Yes.

**Mr. John Fraser:** I know, and my friend from Nepean—Carleton would know, at every hospital in Ottawa there was a crane at one point, for about five years. I want to talk about that in terms of risk. When you have a growth in capital builds that's beyond what anybody else is doing and beyond what you've done before, there are risks involved if you don't have the capacity at the public level to be able to build those projects, if you decide to build them as quickly as you are. Would that be a fair thing to say?

**Mr. Bert Clark:** If we tried to do this all traditionally and not leverage private sector expertise, we'd have a very, very big organization and we'd have a lot of risk in that organization. Yes, correct.

**Mr. John Fraser:** So with the inception of IO, you've built that capacity inside, and working within the AFP model, you've evolved—would that be a fair thing to say?—evolved over time, evolved your methods?

**Mr. Bert Clark:** Yes. I think two things have happened over the last 10 years. Infrastructure Ontario is not the organization it was 10 years ago. We've built 46 projects valued at \$10 billion. We've also been doing small projects that entire time. So we've built up an incredible amount of large project management expertise. It's why we're helping the city, the region of Waterloo, with their LRT. It's why we've been asked by the city of Ottawa to help them with their LRT. It's why 40 jurisdictions have come and visited us to say, "What are you doing?" It's why the National Governors Association in the US has asked us to be a part of their organization to help educate US states on how they can use modern project techniques.

I think the other very interesting thing that's gone on is that there's been a transformation in our domestic Canadian construction companies. EllisDon is not the same organization they were 10 years ago. PCL is not the same organization they were 10 years ago. They're now seeing opportunities internationally that they would never have seen had we not been at the cutting edge of project management and infrastructure investment. PCL now is involved in a billion-dollar hospital project in Australia being delivered as a P3—inconceivable five or six years ago. But given the experience they've had here, they're now over competing globally. A lot of our domestic players are now looking at the US market, which happens to be behind us, and saying, "How do we take what we've learned here and go and enter those markets?"

**Mr. John Fraser:** Just one more question about capacity, and then I'm going to pass it over to my colleague. In terms of the capacity within your organization—as you're assisting Waterloo, and Ottawa has asked as well—but more specifically with regard to all capital projects, not AFPs but also traditional builds, have we grown our capacity or our ability or understanding of how we can—as I know, you're looking at changing the threshold—

**Mr. Bert Clark:** Yes.

**Mr. John Fraser:** —but our capacity to look at the risk involved in public sector-driven projects or traditional projects?

**Mr. Bert Clark:** As I said, we're not the same organization we were 10 years ago. We have significantly more project management experience. Frankly, things we've learned by delivering large, complex projects using AFP we think we may be able to use for certain smaller projects. It's a discussion that is, frankly, ongoing between us and the ministry.

But I caution to say, there will always be a size and complexity of projects at which we say, "That's not a risk



that the public sector ought to assume. We should make sure that the private sector assumes that risk.” And figuring out where that cut-off is—

**Mr. John Fraser:** Where that threshold is.

**Mr. Bert Clark:** —is the discussion we’re having with the ministry.

**Mr. John Fraser:** Yes, because I can see that, in justice, almost everything’s in—there’s not a big capacity inside that ministry, necessarily, to do that. So the projects that are ongoing there are mostly design, build, finance and maintain.

Anyway, I’ll leave a bit of time for my colleague here.

**The Chair (Mr. Ernie Hardeman):** Two minutes.

**Mr. Han Dong:** Two minutes? I’ll be very quick.

First of all, thank you very much for coming in and answering some of these questions. My colleague mentioned cost overruns, and you suggested maybe googling and finding out. I can use a perfect example, and that’s the Spadina subway line. We all heard in the recent media—and I know the mayor’s quite excited about that. I think the number is around \$150 million or something like that. In your mind, had this project been under AFP, what would the outlook be? What kind of difference would we see had this been under AFP?

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**Mr. Bert Clark:** That project, actually, has all of the features of traditional projects that we found challenging, frankly, in the past and have tried to eliminate.

The first, which I referred to earlier, is that that’s a big project that’s been broken up into small projects, so you’ve got tunnels meeting stations meeting tunnels meeting stations. Every time those things meet, there’s integration risk, and that integration risk has been retained by the public sector. That risk has come to pass.

**The Chair (Mr. Ernie Hardeman):** Okay, that concludes that one.

The official opposition: Ms. MacLeod.

**Ms. Lisa MacLeod:** I’d like to say thank you to all of you for coming in, as well as to the auditor for the value-for-money audit.

I have long been on the record as supportive of P3s and AFPs and, in particular, ensuring that the Royal Ottawa Hospital was built, about a decade ago. I think it’s one of the finest institutions that we have in the city of Ottawa.

That said, I must say that I was quite shocked when the auditor came forward and said that she questioned the \$8 billion cumulative that would have made these projects higher than if they had been contracted out and managed by the public sector.

I’m listening to you, and I’m looking at the higher financing costs. I had a great discussion this morning with Michael Harris, who is our infrastructure and transportation critic, who spent some time, actually, managing P3s. He indicated that all is not what you see, that there are maintenance costs that are included, and these are all built in, and that is effectively there. I think it was the auditor who said that about \$6.5 billion of that went to the higher private sector financing costs.

I’m not going to belabour the point, but I wouldn’t mind if you just wanted to touch on that one more time, from your perspective. Again, I think, if we’re to proceed in the province of Ontario, we’re going to actually need to use more models like this, not less of them.

**Mr. Bert Clark:** Sure. As the deputy said at the outset, there was certain coverage of the Auditor General’s report that focused on the \$8 billion. That was not the central point of her report. Her report said that \$14 billion of risk was transferred, at a cost of \$8 billion, which put the province \$6 billion ahead.

I think the implication that the report was getting at was that you need to be always mindful of the cost you pay in order to transfer risk, which is something we do, frankly, and that the board is intensely focused on, which is why I said at the outset that the really important questions, when it comes to AFPs or P3s, are which projects do you use it for, and how much finance is in the projects?

It clearly works. Our track record, and the experience in other countries, is that these projects come in on budget. There is cost certainty for the public sector. That’s a good thing.

It’s like insurance. No one is debating whether insurance makes sense. Insurance makes sense. The only question is, when do you get insurance, and how much insurance do you buy? That’s what we spend our time thinking about.

The point of the \$14 billion, \$8 billion, \$6 billion was, I think, to drive people towards thinking about when you do this and how much finance you use.

**Ms. Lisa MacLeod:** I just want to go back to this \$6 billion. I just want to be very clear, for those who are watching at home or might be reading this in Hansard at some point in time: Effectively, there was \$14 billion of risk; \$8 billion was the cost for that; and you’re arguing that there was \$6 billion left over.

In a briefing that we had earlier today with the auditor, she cited, on pages 204 and 205 of the auditor’s report, some of the differentials. You would say, for example, that you have retained risks of \$18.6 billion for public sector comparators, while the AFP would have been about \$4 billion. The auditor, on pages 204 and 205, effectively tells us that you would remove about \$5.9 billion from that \$18.6 billion, leaving it at about \$12.7 billion, and from the AFP, effectively, instead of \$4 billion, it would be \$3 billion; meaning instead of having a \$6-billion differential, it’s actually \$1.7 billion—still coming out ahead, but there are some issues with the methodology that you would be using in terms of the risk assessment. I wonder if you have a comment on that.

She indicated on page 204, “Two significant risks on the public sector comparator side should not have been included.” To remove from that \$18.6 billion, the total overall—one was for AFP projects with a maintenance component, nearly \$3 billion. That was included twice in the \$18.6 billion, so that’s a \$3-billion error.

Then she suggests on page 205 that there was another \$2.9 billion in costs associated with planning, process



and allocation practices which was also included in the \$18.6 billion of retained risk on the public sector comparator.

I want to talk to you about that because the next question I have—I think you have about 93 different criteria for risk assessment. I want to talk a little bit about that, and then I want to talk about screening projects as well. Can you make a comment at this point in time on the differential between what the auditor says will be your differential and what you suggest it is? You're suggesting \$6.6 billion. Her changed numbers—correct me if I'm wrong, Auditor—are \$1.7 billion.

It might be easier for you to refer to our—

**Ms. Bonnie Lysyk:** What we're referring to is on page 203, where we've got the figure 5 chart, and it comes down to the retained risks figure. It goes 18.6, 4.0 and 14.6. Those two risk factors that factor into the math here: One of them is \$3 billion and another is \$2.9 billion which, when you take it across, it's not quite the math of \$5.9 million; it's a little bit less. But if you factor that in, it changes the overall total on the VFM to lower than \$6.6 billion.

The point we're making is that when we looked at the model that was being used to assess the projects, those two assumptions, one being the maintenance component being—the asset residual risk having been included in two parts of the framework, and then the \$2.9 billion with the planning process and allocation practices having the same impact on both traditional procurement versus the private sector model—when you factor those in, the numbers are a little bit different.

I guess our message on the whole thing is that when we looked at the \$8 billion, that was the measureable cost. The key component, as Bert had pointed out and we totally agree with, is the financing of that, the \$6.5 billion. Our point in showing the difference in the retained risks is to say the discussion really is, like you pointed out, the financing side. There's subjectivity and judgment in the model, and that's where we were looking for the empirical evidence.

So we're not disputing the fact that P3s are good or P3s are not good; all we're saying is, the math, when you use the retained risks model, offset to cost, kind of skews one in favour of AFP when in fact the discussion needs to go back to the financing.

I've gone on and on, but really, I think the point of this whole chart is to focus on that decision as to how much should be private sector-financed, how much should be public sector-financed, and which projects should be handled by AFP and which ones shouldn't. That's the simplicity of the chart.

I think we can get involved in all the numbers and everything, but really, it comes down to those two things.

**Mr. Bert Clark:** If you want, Ehren can speak to those two points, but I completely agree that at the end of the day, the discussion that ought to be had is which projects—we're having that discussion—what's the threshold, and how do you make sure that if you're using this tool, if you're buying insurance, you're buying the

right kind of insurance. That's what our board does every time we bring a project to them.

**Mr. Ehren Cory:** Just to talk to the two risks you asked about—and they are two significant ones. First, I'll come back to the two, the asset residual and planning, in just a second. But I'll just start from where we get the assumptions from in the model. It came up earlier, but I think it's the important place to start, the way we do this.

**1340**

This is a planning tool. This is the tool we use at the outset as a part of the decision-making of which way to go: to use the risk model—you talked about the 93 or 94 risks—which is developed by our expert third parties, to take that standard risk matrix and then say, "For this project, what's different about this project that means that risk is either bigger than usual or doesn't exist on this one?" They customize it. That risk matrix, then, is what we use to calculate that risk that we're avoiding, that risk avoidance number. That's where we get those numbers from.

In the Auditor General's work—and we had a lot of discussion with their team around these two big risks—the recommendation that came out was that we should make sure that the costs are not double-counted, basically; not accounted for in two places I think was the wording. We agree with that recommendation. Let me talk about each of them in turn.

Asset residual is one of the risks that the Auditor General and the team called out. It is one of the big risks in our model. That's the risk we talked about earlier, that at the end of the 30 years of the life, the quality has deteriorated. Asset residual is the idea that at your 30th year, is the asset still in good shape or not? That's a risk that in the assessment of the third parties is much higher on the traditional side, because there's the risk that over the 30 years, the building isn't maintained to the same standard, that you defer, defer, defer on maintenance. Anyone who has deferred maintenance for long knows that when you finally do it, the work is much bigger and the bill is much bigger. You can get away with not changing your oil for a while, but then your engines seizes on your car, and you pay a lot more. So that's what asset residual is about.

What the team pointed out is that when we build our model, and I'll try not to be technical about this, we assume the same what we call base cost for both the traditional and the AFP. We assume the same costs, and then at the end we have this bigger risk on asset residual. What the Auditor General's team pointed out is, "There's a potential contradiction in doing that, because you're saying that you spent the same money on maintenance in both worlds, but the asset is in way worse shape under one." That was the point.

We take that point. There are many technical arguments, and we had those with the third parties, because, again, those assumptions come not from us but from cost experts and engineers. But we actually think the Auditor General's team has highlighted something. So what we're doing as we work on updating our VFM methodology, which we're in the midst of and we plan on publish-



ing later this spring, is eliminating that double-counting. By that I mean, we will not assume that you spend the same money on maintenance for the 30 years, because that's not actually the experience that we see in large traditional projects. What we see is that maintenance costs get deferred and deferred, pushed out, reduced.

What's a little bit different than the comment on page 204: That won't take it to zero. We're going to try and eliminate the double-counting, because we agree there is some, but in the change which we'll be making, I don't think that it will be totally eliminated—

**Ms. Lisa MacLeod:** Because the two numbers won't be equal at the—

**Mr. Ehren Cory:** Correct.

**Ms. Lisa MacLeod:** Okay. I think that's a good explanation, so that's important.

You had something else to add.

**Mr. Ehren Cory:** Just on planning, a similar comment—that's the other big one that's mentioned. Again, there the issue is that we have a couple of risks in our matrix that refer to planning. One of the things that the Auditor General's team—and they got this also in interviews with ministries that we work with, because when we do that risk matrix that I described, part of that is sitting down with a ministry and saying, "For your particular project, could this risk manifest itself?" We have three different risks about planning. They were quite nuanced and different. There was at least the high potential that someone might double-count by saying, "Yes, that risk could happen, and so could that risk, and so could that risk." In our new version, which we're going to release, we're going to collapse those into one, make it much clearer what the risk is. Again, I think we're going to eliminate the double-counting, but it won't go away completely—same story.

**Ms. Lisa MacLeod:** Okay, that's good.

We've talked about risk assessment. We've talked about the numbers. I'm just trying to think here. I guess, Bert, it was you—you were talking about reviewing screening thresholds for future AFP projects, given the project management experience IO has gained over the past decade. I'm wondering if you could give us a sense of what type of screening mechanism you're looking at right now and what may have provoked some of those changes. Was it because IO was taking on projects that maybe they shouldn't have been or should be taking on projects that they aren't right now? How do you make those assessments? Is that done with your board?

**Mr. Bert Clark:** It gets done in two places. Our board would have to be comfortable moving the threshold up. They'd have to be comfortable that we can in fact deliver larger, more complex projects without the risk transfer of AFP and without exposing the province to undue risk. It's also a discussion that we would have with the ministry, our shareholder, about what their view is of the appropriate threshold.

Why might one raise it? As I said, 10 years ago, we were a lot smaller organization, we delivered a lot less projects and we had a lot less expertise, so we were less

capable of managing risk than we are today. As I say, as you move up in project size, projects get more risky. Our risk tolerance 10 years ago is different than it is today, so we might think of increasing it with our shareholder.

**Ms. Lisa MacLeod:** Right. Your deputy minister is here. Is this a conversation that you would have with a variety of ministers on the risk threshold that they're willing to take? Has this discussion already started with cabinet?

**Mr. Bert Clark:** I have discussions with my board, and the shareholder has their own discussions.

**Mr. Giles Gherson:** We have those kinds of discussions for exactly the reasons that Bert mentioned. Our interest is the same in terms of ensuring the lowest-cost delivery and highest-quality delivery of public projects, but we also share the responsibility of oversight with the treasury board, so that's the kind of discussion that we would be having with them.

**Ms. Lisa MacLeod:** Okay. I don't know how much more time I have. I just have—

**The Chair (Mr. Ernie Hardeman):** Four minutes.

**Ms. Lisa MacLeod:** Four minutes? Okay. I have two quick questions, then. At one point in the—I cannot find it, I apologize; I'm not sure who said it—you were talking about innovation assessment. I know we talked about that as well with the auditor—if you don't mind forgiving me for one moment—an innovation adjustment.

I guess the question I have is, if you're starting to talk about innovation—was it you, Bert, who mentioned that, who brought it up?

**Mr. Bert Clark:** I did, yes.

**Ms. Lisa MacLeod:** Okay. So if Infrastructure Ontario is planning on adding an innovation adjustment for future value-for-money projects, how do you plan on appropriately estimating that, and what does that mean? It's a great buzzword, "innovation."

One of our former chairs of this committee, when I was first elected here almost nine years ago—Julia Munro was actually on the committee with me—was Norm Sterling. Norm took me aside, and he said, "The one thing you have to worry about in government is information technology projects because they will always have a cost overrun." Boy, was he right when I looked at eHealth.

When I hear the word "innovation," I start to think of things like MaRS and other things, and I want to know how you define that, because that has been a buzzword around here. I'm not comparing it to eHealth or Ornge or anything, but I am saying that that's a word that we hear quite a bit. I'd like a little bit more explanation on it, if you don't mind.

**Mr. Giles Gherson:** Can I just start off by reciting what I said in my opening remarks? I did give an example of it, and I think it was just one of many. It was with regard to St. Joseph's Healthcare Hamilton's West 5th Campus, where I pointed out that, the way that AFP project worked, of the three bids, one really tried to reconsider the design of the project in a way that took



advantage of the landscape, if you will. It was able to do that in a way that produced a smaller, more compact design, which reduced the cost of the build and then led to a winning bid that was 27% lower.

**Ms. Lisa MacLeod:** So can I ask you a quick question? My husband used to do a lot of procurement. He worked for the federal government, and he would always talk about lowest-cost compliance. When you're doing your grid when people are bidding, typically your lowest-cost compliant is who you choose, but are you now suggesting that in some projects you are, or will be in the future, adding this innovation component? No?

**Mr. Bert Clark:** No. Under the traditional model, we would go and we would hire an architect to design St. Joseph's hospital.

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**Mr. Giles Gherson:** It's prescriptive.

**Ms. Lisa MacLeod:** Okay.

**Mr. Bert Clark:** They would go out and they would design a hospital. It would have four floors and it would be made of brick, and there would be a mechanical/electrical system that looked like such. Then we would get three guys to bid it, and the lowest-priced guy would win.

Under our model, we say, "Let's prescribe the outcome." We're not going to tell them that it should be four floors or three floors. What we're going to tell them is that we need this many emergency rooms, this many ICU rooms.

**Ms. Lisa MacLeod:** I see.

**Mr. Bert Clark:** We need the temperature in the place to always be this temperature. Let them figure out what the cheapest way is to achieve that, on a whole-life, 30-year basis. Rather than us having—

**Ms. Lisa MacLeod:** So getting the parking spots and the patients, the 2,000 and 5,000—

**The Chair (Mr. Ernie Hardeman):** The answer for that will be in the next round.

**Ms. Lisa MacLeod:** Can you believe this? He's cutting me off. He's my seatmate in the Legislature.

**The Chair (Mr. Ernie Hardeman):** We'll now start the second round with the third party. This time it will be 18 minutes per caucus.

**Ms. Catherine Fife:** I'm sorry, Mr. Chair. How long?

**The Chair (Mr. Ernie Hardeman):** Eighteen.

**Ms. Catherine Fife:** Eighteen. Okay, thanks.

This has been interesting, some of the questions and answers, just to follow along. I do think it's important for us to remember that this is the second Auditor General whose report has raised the high cost of AFPs to the taxpayer. The previous auditor, Jim McCarter, also raised this issue.

The insurance analogy is also pretty interesting. I think it comes down to this fundamental question: Is the \$8-billion risk premium worth it for the people of this province? I think you clearly see that we don't feel it is.

I want to get back to how the risk premium is calculated, because I think that's the pivot. I don't think anybody really challenges the \$6.5 billion in financing

costs that the Auditor General identified. That's a big number, it's a real number, and maybe we'll get to some of the interest rates that affected that number a little bit later on.

What I want to do is I really want to understand the public sector cost comparator in calculating the risk premium. It is a number that suggests what a typical cost overrun is that is incurred in the traditional public approach to building infrastructure. Is that correct?

**Mr. Bert Clark:** For every—

**Ms. Catherine Fife:** For the public sector cost comparator.

**Mr. Bert Clark:** We do this for every project. Every project has a unique risk profile. That risk is assessed by a professional who does nothing but cost consulting and risk assessment for public and private owners. They do that for us, like they do for others. They would assess a whole series of risks, both during the construction and the operating phase, and they would provide us with a probability of all of those risks coming to pass.

They would do that for us delivering the project under the traditional means—design-bid-build—where we do the design, someone else builds it, and then we take back the operating risk, and they would do that for design-build-finance-maintain, where we pass to the private sector the risk of that cost certainty.

**Mr. Ehren Cory:** If I may, one of the common shortcuts that we see is, people say, "You have a project that has an estimated cost of \$500 million, and then you've got retained risk estimated, when we look at your VFM report"—which is posted—"of \$400 million. Are you saying you expect the risk that the overrun is an 80% overrun?"

I just want to be clear that that retained risk accounts for risks of overrun during construction, risk of cost overruns during the 30 years of life, and risk of schedule delay also, which has a cost. So it's not apples-to-apples math, to divide the two and say, "That's the cost overrun being assumed."

**Ms. Catherine Fife:** Okay, I understand that. But which companies, if you will put that on the record, are calculating the cost overruns? The auditor has rightly pointed out that the evidence is not there to measure the risk. Which companies are telling Infrastructure Ontario that these cost overruns are real?

**Mr. Bert Clark:** We actually do publish on our website, I believe, the base risk matrix that we use. Those are developed with—

**Ms. Catherine Fife:** But those are done by consulting companies, and who are those?

**Mr. Bert Clark:** Right, and I'm about to tell you who those companies are.

**Ms. Catherine Fife:** Okay, that's good.

**Mr. Bert Clark:** Altus Helyar and Marshall Macklin Monaghan are the two that I think are published on our website. We actually provided a letter, in the binder you've got, from Altus Helyar.

**Ms. Catherine Fife:** I'm sorry to be jumping around a little bit, but the issue, though, of managing risk and the



justification of transferring risk is really the question that we have here today. I think that the Auditor General's report points to some gaps in the process to evaluate those risks and I think you've already acknowledged that you're going to be reviewing some of those processes. But Infrastructure Ontario must have some responsibility, if you will—and I also appreciate the fact that you've mentioned that Infrastructure Ontario is not the organization that it was 10 years ago. That's why these reports are so important; going forward, they should inform some changes.

But in the government's Building Together: Jobs and Prosperity for Ontarians from 2011, a guide to investments and infrastructure in Ontario, the objective at that point was that Infrastructure Ontario would have a greater role in procuring infrastructure, including engaging in traditional public sector forms of procurement. So you can see why there's a disconnect between what the government originally, I think, set in motion and what's actually happening with Infrastructure Ontario doing the bulk of your projects through AFP.

Have you met with the economic development minister to discuss moving forward and following through on this original mandate?

**Mr. Giles Gherson:** I'm deputy minister of economic development, and—

**Ms. Catherine Fife:** I know who you are. Have you met with the minister?

**Mr. Giles Gherson:** We talk to the minister quite frequently.

On the question of which projects should be assigned to AFP and which ones shouldn't be, there is the threshold that we talked about. The reason the government has asked IO to look at both AFP and traditional, to assess the merits of which one you should use in this specific project, is because as you get into different types of projects, you want to be clear that the risk matrix is appropriate. So it's really a diligence issue that the government wants to be assured of, that the right type of approach is taken for the specific project. I don't think there's anything incompatible with what the government said and with what in fact IO has been doing.

As Bert mentioned, something like 4,000 projects have not been AFP but the traditional approach, but as projects have become—particularly now, when you move into the transit and transportation area—very complex projects, those really do, as discussed earlier, lend themselves to the AFP model.

When you move to very complex hospitals, again, there was a reason why AFP was chosen. But that doesn't mean that it's an ideology that AFP must be used in all cases or anything like that. It's really a careful assessment of what makes the most sense, given what we know about the project and the historical record of similar projects, where they've gone and how they've performed.

I think to try to turn this into a scientific exercise is a little bit difficult because each project is so different. What you're doing is, you're trying to look at where have things gone wrong in the past and can we correct those

wrongs, those flaws, those cost overruns or delays in the management of the traditional way, or is the project going to be so complicated that in fact it would be easier to transfer the risk to the private sector, where, as Bert said, they would have real skin in the game and a real requirement, actually, from their lender and from their own interest, looking forward, to make sure that they're doing it in the cheapest way and, in fact, to use innovation where they can because it's in their best interest. They're going to save money if they do that.

**Ms. Catherine Fife:** Infrastructure Ontario now has 10 years of experience. Right?

**Mr. Giles Gherson:** Yes.

**Ms. Catherine Fife:** Certainly over the course of that time, you now have the capacity to potentially directly manage. The Auditor General even mentions that Infrastructure Ontario may now be positioned to directly manage the construction for certain large projects and thereby reduce the cost of private sector financing. That should be the ultimate goal. The goal shouldn't be just to maintain the status quo of always contracting out. We should be building our capacity—Infrastructure Ontario should be building your capacity to ensure that people are getting value for dollar. She recommends this. In fact, I think that the government, originally, from that 2011 strategic framework—I think that was the original intent, and so I see Infrastructure Ontario going in a completely different direction. I think that this Auditor General's report confirms that.

**1400**

I think at the end of the day, especially with the infrastructure gap in this province, we will never close that gap if we continue to favour the AFP. Right now, you have a risk assessment tool that directly favours going AFP.

**Mr. Giles Gherson:** I think it does so on large, complex projects. It doesn't favour AFP across the board in any way at all. I'll just ask Bruce Singbush to elaborate, but I think it's important that we recall the \$8 billion against the \$14 billion. You're paying \$8 billion to transfer \$14 billion of risk. It's true that you can parse all of those numbers. You can parse the \$8-billion number—

**Ms. Catherine Fife:** Well, I would—

**Mr. Giles Gherson:** You would.

**Ms. Catherine Fife:** And I could.

**Mr. Giles Gherson:** You could.

**Ms. Catherine Fife:** And I will at one point. But I'd rather get—

**Mr. Giles Gherson:** Let me just say this: You can parse that number, you can parse the \$14-billion number, and over time those numbers will change. If you look back at the record in 10 years' time, you'll probably find that, through improvements in process, the \$8-billion number, if that was analogous, would come down over time. In fact, you're seeing financing costs come down in the market that we're in.

If you look at the \$14-billion number, it's probably true that over time, as techniques improve, the risk transfer might be lower, but that then would require you



to assess each project, as time goes on, with the knowledge you have and the experience you have—that IO has—to make a very careful assessment of which it should be using and which method gives it the best opportunity to maximize the benefits of lowering the cost of construction and maintenance and reducing the probability of cost overruns.

**Ms. Catherine Fife:** I think that's the point. I think the model for assessment is flawed right now.

**Mr. Giles Gherson:** But it doesn't throw the baby out with the bathwater. I don't think it actually—and I don't think the auditor would say this—obviates the benefits of using AFP. She is saying you want to be very, very careful and have the data to support, in every case, the best way you can, the \$8 billion and the \$14 billion. We completely agree with that.

**Ms. Catherine Fife:** She has also said that there is no empirical evidence thus far to prove that that risk transfer is worth it.

Can we just go back to the building capacity of Infrastructure Ontario, please?

**Mr. Giles Gherson:** Sure.

**Mr. Bruce Singbush:** It's a good question, so—

**The Chair (Mr. Ernie Hardeman):** If we could have you introduce yourself first.

**Mr. Bruce Singbush:** I'm Bruce Singbush. I'm the assistant deputy minister at the Ministry of Economic Development, Employment and Infrastructure.

**The Chair (Mr. Ernie Hardeman):** Thank you.

**Mr. Bruce Singbush:** Part of your question is the centre of excellence that is Infrastructure Ontario. Bert mentioned the evolution over the past decade. I think it's important to unbundle that a little bit, because that will help in this conversation. It brings together a few points.

Infrastructure Ontario was created, in part, specifically to look at alternative finance procurement and the procurement of infrastructure using that one type of tool. That was what it was originally created for, and that's what it had built a very strong reputation on.

You referenced 2011 with Building Together. That's an important point in time, because in 2012, Infrastructure Ontario was actually merged from a policy perspective with what was called the Ontario Realty Corp., as well as another organization called Stadium Corp. That brought together the infrastructure procurement expertise that the government requires across the board. That's both on the construction side and on the management side—

**Ms. Catherine Fife:** Bruce, I'm sorry. I don't want the history of Infrastructure Ontario. You've already provided it and I've already read it. I just want to know this: Is Infrastructure Ontario looking at moving towards direct management of these projects? Because that was originally in the mandate. Just yes or no.

**Mr. Bruce Singbush:** The answer is, they do that today. Bert mentioned that. They do that on over 5,000 buildings today and over 4,000 projects a year.

**Ms. Catherine Fife:** My colleague has a question.

**Mr. Taras Natyshak:** Just a couple of brief questions.

Under a traditional method, what are some of the safeguards that you would have in place to be able to ensure the value for money throughout the lifespan of a project? Do you have a holdback provision on funding for contractors? You are going to hold back funds if the project isn't completed?

**Mr. Bert Clark:** There is, obviously, statutory holdback for one of the—

**Mr. Taras Natyshak:** Penalty clauses as well in terms of deficiencies, I would imagine.

**Mr. Bert Clark:** You have statutory holdback for liens.

**Mr. Taras Natyshak:** Yes.

**Mr. Bert Clark:** We have bonding. Those would be the traditional security items you would have, which I can tell you is nothing near like the security you get when you haven't paid until they perform—nothing near.

**Mr. Taras Natyshak:** But you would still—I mean, if the performance isn't there on the project, then you would be able to hold back a substantial amount of funds in terms of incentivizing them to continue the project.

**Mr. Bert Clark:** Remember, under a traditional project you're paying progressively, so your money is in the project, not theirs.

**Mr. Taras Natyshak:** But at some point—I mean, upon substantial completion—

**Mr. Bert Clark:** At some point you could theoretically not pay them for a project that they haven't completed. Your money is in, they're out, and you're suing them and maybe suing their bonding company, and you are unlikely to recover anything like what you'd have if you got the money yourself.

**Mr. Taras Natyshak:** The concept around P3s is obviously to bring infrastructure projects online quicker, faster, kicking the financing down the road or kicking the bill down the road for some time to come.

**Mr. Bert Clark:** Could I just answer that? There's no accounting benefit. There's no effort made in doing P3s to change the accounting or fiscal treatment of these projects—

**Mr. Taras Natyshak:** Not on the IO side. It's still accounted for on the budgetary side.

**Mr. Bert Clark:** No one inside government is spending time structuring transactions to move financing around. When the province moved, 10 years ago, to consolidate the MUSH sector: municipalities, hospitals, colleges, schools—we moved to consolidate all of that expenditure. There's zero accounting benefit to going P3 or traditional. In both cases, the debt and the costs are all amortized over the life of the asset. The reason you do it is for project management reasons.

**Mr. Taras Natyshak:** In Windsor right now there is a situation that's developing that I think relates right back to the quality and the benefit that P3s supposedly deliver. We saw that one of the subcontractors had deficient girders that have now led to some substantial time delays. I'm understanding that none of the provisions or the ability for IO to hold the Windsor Essex Mobility Group to those protection mechanisms are being used—holdbacks or penalties. Is that what's happening?



**Mr. Bert Clark:** I'll tell you, we have the ultimate holdback in that case. There is no way I would have wanted to be leading IO when we ran into the difficulty we did on that project, and it's been one of our more challenging projects. There is no way I would have wanted to have been delivering that project using traditional means.

When they ran into trouble—and projects do run into trouble—

**Mr. Taras Natyshak:** Did the deficiencies of the girders—were they detected—

**Mr. Bert Clark:** May I finish?

**Mr. Taras Natyshak:** Were they detected by ministry officials? I just need to know that, first of all.

**Mr. Bert Clark:** Let me answer your first question.

**Mr. Taras Natyshak:** I've got 30 seconds left.

**The Chair (Mr. Ernie Hardeman):** It's all gone.

**Mr. Taras Natyshak:** If you could now answer both my questions, that would be good.

**Mr. Bert Clark:** When we ran into that trouble on that project, it was their money that was in the project, not ours.

**Mr. Taras Natyshak:** It's ultimately all of our money.

**Mr. Bert Clark:** In terms of the ultimate holdback, we had paid them nothing. At that point, they had hundreds of millions of dollars in that project; we had zero. They're now going to correct that issue at their cost, 100% at their cost. Had we not had the sorts of levers we do in a P3 contract, we would have had a much different result.

**The Chair (Mr. Ernie Hardeman):** Save that for the next answer.

To the government: Mr. Rinaldi.

**Mr. Lou Rinaldi:** Thank you, Chair. For the benefit of the member opposite, if you have more to add on the Windsor issue, please do so. I'll give up my time for that.

**Mr. Taras Natyshak:** You can concede it to me and I'll ask the questions.

**Mr. Lou Rinaldi:** No, no. It's my time, thank you.

*Interjections.*

**The Chair (Mr. Ernie Hardeman):** Order.

**Mr. Lou Rinaldi:** If you need to expand, please, before I go to my question.

**Mr. Bert Clark:** Proceed with your question.

**Mr. Lou Rinaldi:** Okay, so you're done with the Windsor issue.

**Mr. Bert Clark:** I'm done.

**Mr. Lou Rinaldi:** I just want to shift gears a little bit and look a little bit more globally. Ontario is not the only jurisdiction with AFPs. There are other jurisdictions, which I think you mentioned in your opening remarks, that have been there before us, and some are coming along. In general, do you see, from your expertise, that's a growing trend or a diminishing trend? We heard some things this morning when we had a briefing that there might be some jurisdictions that are maybe not as strong or not as strong as they were. Can you elaborate where it's at a little bit more globally?

**Mr. Bert Clark:** I'm not sure I want to provide commentary on the global infrastructure landscape. I will tell you that we have been one of the most active infrastructure markets in the world. The market I'm most familiar with other than ours is the United States. They're sadly significantly behind us in terms of their infrastructure investment, but there are some spots where they're starting to invest and they actually are borrowing heavily from the Ontario model. For instance, Long Beach, California, built a court in the last five years modelled on the Durham court. We have been asked by the National Governors Association to participate in a group to help educate governors on how to use modern project-delivery techniques.

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There are a number of states that are starting to get on with the important work of investing in infrastructure and, like many places, have had bad experiences in the past delivering projects. They have come in over budget. They have come in late. They have had quality issues going forward. So they have come up to look at what we do and learn from us.

Frankly, as you look across Canada, the most recent province to make significant inroads in modernizing the way they deliver infrastructure is Saskatchewan, but whether it's BC or Alberta or Manitoba and Winnipeg, they've used it. Saskatchewan has used AFPs, and Ontario, obviously. Quebec has used it—less so in the Maritimes. But really, across Canada and at the federal level, people have changed the way they deliver infrastructure.

**Mr. Lou Rinaldi:** Maybe if you could comment on this other issue: Just recently, the leader of the official opposition in Ottawa made a statement that it wasn't dogmatic and, "The point is to get things built," when he was referring to alternative financing. Can you maybe explain the pragmatic piece to infrastructure, the process we have? I know this is a comment that was made by somebody else, but if you'd like to comment, I'd appreciate it.

**Mr. Bert Clark:** I think that comes back to something I said early on, which is that we did not set out to privately finance infrastructure. What we set out to do was to address the major sources of cost overruns in the past.

One of the big tools we use is that, during the construction period, we don't pay until they perform. That necessitates private finance on their part, and their lenders have their risk, as opposed to us. Similarly, during the operating period, we withhold some amount of the construction to ensure that what they have built performs and lasts.

Again, none of that is ideological. None of that is affected by anyone's view on private finance one way or the other. It's entirely a project management technique. That's how we look at these projects.

**Mr. Lou Rinaldi:** Chair, I just want to say, for the committee's interest, that in the town where I live, the local school board just invested \$1 million to rebuild a track facility with a football field. Things went south. It



had been two years of waiting by the time they sued, by the time they sued whoever fought—I'm trying to think of the word—the bond folks. For two years, the school was without a field. I mean, it looked like a mess, frankly. Anyway, that was just a comment that I wanted to make, but my colleagues, I'm sure, have other questions.

**Ms. Harinder Malhi:** I guess I'll go next. The Auditor General briefly talked about the Fraser report and cited it about the study on P3s. Would you be able to better explain that to the committee?

**Mr. Ehren Cory:** Talk about the Fraser report?

**Ms. Harinder Malhi:** Yes.

**Mr. Ehren Cory:** The Fraser report, which was published two years ago or so now, was really looking at transportation infrastructure across Canada and ways to spur investment in transportation and the role that P3s could play.

They looked across the country, and they looked at experience both traditionally and under P3s. The conclusion they came to, which they stated pretty clearly, was that P3s are an important tool in the tool kit. It goes back to what we talked about earlier. It's about picking the right model for the right project. But the Fraser report pretty clearly says—especially when you get into the transit projects, which are, in general, very big projects with a lot of complexity and a lot of risk to them, as we see in transit projects that are under way all over the world. The Fraser report really focused on, for that big transit and transportation build that Canada has to do, how P3s and the AFP model have to be part of the approach.

**Ms. Harinder Malhi:** Thank you.

**The Acting Chair (Mrs. Julia Munro):** Any other questions?

**Mr. John Fraser:** Just one quick question. Going back to figure 5 in the report, a very simple question: Are you satisfied with your retained risks of \$18.6 billion?

**Mr. Bert Clark:** The simple answer is yes.

**Mr. John Fraser:** Yes. I just wanted to confirm that.

Then, go back to the double-counting: In terms of the way that it's represented, from an accounting purpose, is that it should be on another line as opposed to on that line—is that fair to say?

**Mr. Bert Clark:** We're looking at the issue of whether or not there is double-counting. We've agreed to look at all of the recommendations. We're looking at that one. We firmly believe that the end product for traditional delivery has significantly more risk that often manifests itself as a large deferred maintenance issue.

**Mr. John Fraser:** Okay. It was just a question on the risk that's involved with maintenance on a traditional build project is different than—

**Mr. Bert Clark:** Very, very big.

**Mr. John Fraser:** That's what I was trying to establish.

**Mr. Bert Clark:** Yes, correct.

**Mr. John Fraser:** Okay. So where that's represented and how that's represented is really what you're going to look at?

**Mr. Bert Clark:** Right.

**Mr. John Fraser:** Okay, thank you.

*Interjection.*

**Mr. Arthur Potts:** No, we have a few more minutes. Chair, if I could?

**The Chair (Mr. Ernie Hardeman):** Go ahead, Mr. Potts.

**Mr. Arthur Potts:** If I could talk maybe a bit about the quality price matrix and how we choose the winning bidders. I know the auditor in her report talked about—I think in about two thirds of the projects, the lowest bidder was chosen. They were also the best projects, from a quality standpoint. She makes the comment that in one third of the cases, we went for the lowest price and we didn't get the best quality.

Is there a thought around IO about changing the metric in order to ensure that innovation is fully recognized—the better design—and it's not always just a bottom-line price?

**Mr. Bert Clark:** I'll ask Ehren to speak to that.

**Mr. Ehren Cory:** Sure. The price and quality matrix that we use, and that we have used, really is meant to capture two things. First, Bert talked earlier about the whole concept of output specifications, so we don't specifically prescribe what to build, but we set really clear criteria around what's required of the asset in terms of performance. When we evaluate bids, we have quite a high threshold: a 70% score they need to get on our specific criteria. We have engineers, experts, the owner of the asset—the ministry that will be the long-term owner of the asset—and our team evaluating those designs.

Anything that doesn't meet the output specification and anything that doesn't achieve a high score from a design and technical perspective can't win. Above the threshold, though, what we're saying is that all of those designs meet the output specification: They meet what we want the asset to do and they meet it at a quality and a technical capability that we're comfortable with. Once that's true, that gets weighted against price—and price does get quite as high a weighting amongst those highly qualified, technically—and we design satisfactory bids.

We've looked at that quite a bit. We've looked at the sensitivity—what if you tweaked and had a little bit less to price and a little bit more to design? We've gone through all the products we've done historically. Would it have changed the winners? The answer is no, over quite a wide range. So we don't have plans at this time to change the relative weighting.

**Mr. Arthur Potts:** Okay, fair enough.

If I could go local, Bridgepoint is close to where I live—not in the area I represent but it's close to where I live—and is a fantastic building. I have friends whose fathers and mothers have been in there recently, and it's an extraordinary facility built under the AFP model, and I believe on time. It's a spectacular facility, so I just want to congratulate you on that level.

But then, moving forward—maybe it's too early to tell—do we anticipate the expansion of Toronto East General Hospital to be under the same kind of model?



**Mr. Bert Clark:** I don't think that that has actually been assigned to us at this point.

**Mr. Arthur Potts:** No? Okay, so it's too early.

The Fraser study—

*Interjection.*

**Mr. Arthur Potts:** Go ahead. Why don't you do it?

**Mr. Lou Rinaldi:** Bear with me for a second here. How much time do we have?

**Mr. Arthur Potts:** We've got about six minutes.

**Mr. Lou Rinaldi:** Going back to the model of what you use, and you just mentioned—my colleague here, Mr. Potts, highlighted that you're satisfied in general with price and quality and all that stuff. I just want to revisit that a little bit more, in the sense that, besides the price and the modelling, are there other areas that you might want to re-look at? The way I look at it—and this is my perspective, because sometimes we say, "Hindsight is 20/20. If we had only done that." Is that something that you review on a regular basis, or are there things that you've tracked along the last 10 years that you've been in place? I guess what I'm thinking—I'm hoping it's not fixed.

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Can you maybe highlight some of the things where you went from A to B, that you've changed to make the process better?

**Mr. Bert Clark:** Again, maybe John could talk a bit about—it is price and quality, or price and qualitative factors. There are quite a few things within the qualitative factors other than generic quality. We actually try to not change the model massively from project to project and the way bidders approach them, and we only do that where necessary to increase the efficiency of the process and bidding and building these projects. So unless there are good reasons for changing the mix, we don't.

**Mr. Lou Rinaldi:** I wasn't referring just to the model from project to project. That's not what I'm looking at. I guess it's the overall picture, the bigger picture. You must have learned, over the course of 10 years, that things are different, whether it's the technology—and I guess more of the bigger picture.

**Mr. Bert Clark:** Let me give you an example of something we've introduced at the RFQ stage over the last two years: the local knowledge requirement. Our experience on a couple of projects was tough, and tougher than it needed to be, in our view, because we found that some of the teams that showed up to bid projects didn't have the local knowledge or the expertise that was required to successfully build the project. Even though our contracts have lots of protection in them for us, it's still, frankly, painful dealing with a project that's not going well, even if the pain is mostly being suffered by them and the financial pain is theirs.

So one of the things we introduced about two years ago was a requirement that teams be able to demonstrate that somewhere within the team, there's the local knowledge and expertise to deliver the project successfully. So that's an example of the evolution of the way we evaluate our projects. But as I say, it's not something where—if

we feel it works quite well, we don't revisit it unless there's a good reason to do so.

**Mr. Lou Rinaldi:** Just to change gears a little bit again, when I look at the chart, most of your projects that are either ongoing or finished are health care-related. I know, for example, just east of me, part of Quinte Healthcare—there was a new wing added about seven or eight years ago through Infrastructure Ontario. I know they were quite pleased with the outcome and how it came about, finished and done. There are a number of other examples. The Runnymede Healthcare Centre was done ahead of schedule and under budget.

Can you maybe touch—because that's certainly one of the things you've had a lot of experience and expertise on, through the numbers. Can you give us some sense of how especially the procurement process—and I guess I'm focusing on health care—has improved the way that you look at future projects, for the betterment of folks who need that infrastructure?

**Mr. Bert Clark:** John, do you want to—

**Mr. John McKendrick:** Yes, sure. My name is John McKendrick. I'm the executive vice-president of major projects at Infrastructure Ontario.

I would say that certainly we started off with a lot of smaller hospital projects. You learn from things that go wrong as you go through. If you discover contamination, then you learn how to strengthen your specifications to transfer the contamination risk, or other soils risks. You learn how to manage the integration of diagnostic imaging equipment into the contract, because that could be a major source of change orders if you're not careful with that.

It certainly allowed us to move up to bigger and bigger projects. We now have the new Oakville Hospital under way; that's in the range of a billion dollars. We also have the Humber River Regional Hospital project, which is in the range of a billion dollars, too. Those projects are going very well. They're going to be completed this summer, on time and on budget.

It's really just a matter of, the more you do something—and also the industry has completely stepped up. They've learned, as well, and they're very efficient. They know how to manage the risks, as well; it's not just us. We've been able to improve the documentation that we give out, and when we do transfer the risks, the industry knows how to manage the risks.

They have definitely become more innovative in their designs, and thinking about more ways—the St. Joe's project in Hamilton was a very good example. They are willing to take more risks in terms of changing the design around in a way that will save money for taxpayers, but still knowing that they will be able to give the users the design that they want, so they're more sophisticated about interacting with the hospital management. So the more you do something, it—okay. Sorry. I'll stop.

**The Chair (Mr. Ernie Hardeman):** The more we do, the more time it takes.

It goes to the official opposition. Ms. Munro.

**Mrs. Julia Munro:** Thank you very much. I just have a couple of questions that I hope I can squeeze in here.



My first one is putting on my MPP hat for the kind of question that I think my constituents want to have answered, and that has to do with the way in which this process influences employment.

You mentioned—I'm sorry; I'm not sure which one of you—the fact that it has been a stimulant to the kind of growth in expertise and in management by the construction companies, which I take as a very definite positive outcome, but I'm now speaking in terms of people who would be further down that chain. The kind of potential problem that I would be concerned about is, does the local community have the expertise? Can they get the contracts? Are you bringing people from any distance? What do you see as trends in the area of the actual construction and workforce impact that what you do has?

**Mr. Bert Clark:** I'll ask John to—

**Mrs. Julia Munro:** Yes.

**Mr. John McKendrick:** Yes, typically what we've always learned from the projects is that it's always best to have local companies working on the projects. Certainly, if you don't do that, it typically costs more. You have to pay accommodation costs and transportation costs when you bring people from outside of the area, and making sure that price is an important driver ensures that you'll get the local people and skills—subtrades and contractors—working on the project.

Also, you will find, generally speaking, that the local contractors know the local situations better. They'll understand the nature of the soils. They'll understand if there are contamination issues. They'll understand how to source labour and materials in that particular area. They will understand the authorities having jurisdiction, so they will know the building inspector and the planning department better. All those factors add up. If you don't understand those, you can really get tied up very quickly before you even get into a project. So it's really only if you require a very specialized skill set or a very specialized subcontractor that you would think about bringing them in from outside of the area, but I think that is not very common.

There was one other issue. I think, really, the local knowledge in the RFQ is kind of just an extension of that. I think that's the way to go for these types of projects, for sure.

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**Mrs. Julia Munro:** I appreciate the answer because it is something that people have some apprehension about, particularly when they see somebody who is a major contractor and what kind of loyalties there are in the community. I think that's a really important message to be able to take.

The other question that I have is more of a personal one, in the sense that I'm curious. When maintenance was added to the list of obligations, I recognize that came partly as a result of the fact that you could bid on something and put, perhaps, cheaper items in there that, because you walked away when it was done, weren't your obligation any more. I always appreciated the fact that maintenance, then, was added. But my question is,

what kind of risk management do you have to do in order to feel comfortable when you're looking at a 25-year or 30-year contract? It's more a question of curiosity than anything else.

**Mr. Bert Clark:** Let me start by saying you're absolutely right that getting the person who builds it to have the responsibility for maintaining it for 30 years radically changes the way the builder thinks about what they're building.

**Mrs. Julia Munro:** Exactly.

**Mr. Bert Clark:** Not only do they build things to last but they start making what people refer to as whole-life decisions. A simple example of that is, in the past someone might have installed a linoleum floor because that was the cheapest thing to put in, whereas tile would be much more expensive but the linoleum is something you're going to have to replace every seven years. When you add up all the times you're going to replace that linoleum, it's actually more expensive than the tile. When you get the builder with responsibility for operations, not only do they build something that lasts better, they build something that is cheaper on a whole-life perspective. That's a huge benefit for the public sector.

I guess ultimately we prescribe those outcomes, we prescribe the quality we want to see for 30 years, and the ultimate risk strategy we deploy is that we don't pay if the performance isn't there. Once we get to substantial completion of the asset, we pay them a percentage of the construction costs but we withhold a certain amount for 30 years to give them a very strong incentive to make sure that what they build actually performs that way, because if it doesn't, we have a penalty regime in our contract where we simply deduct dollars for poor performance. So they have an incentive to address it.

**Mrs. Julia Munro:** Thank you. That's it.

**The Chair (Mr. Ernie Hardeman):** Anything further? Further questions from the official opposition?

**Ms. Lisa MacLeod:** No. I think we're pretty good. I think I've asked all my questions. We had been spending some time straightening up.

I would leave it with one final thing: In terms of your work across the country and throughout the rest of the world—obviously you're one of the first, I would say, agencies of a government in this country to be charged with this type of responsibility, this type of budget and this level of activity—what are your experiences with other jurisdictions, whether it's in this country or elsewhere around the world, in terms of how they assess risk, how they screen projects and what their threshold is?

**Mr. Bert Clark:** The \$50-million threshold, is that the question?

**Ms. Lisa MacLeod:** Yes.

**Mr. Bert Clark:** It varies. At the federal level in Canada, I think it's still \$50 million. In British Columbia, it's recently moved to \$100 million. Beyond that, I'm not sure I can tell you what it is—

**Ms. Lisa MacLeod:** Why would British Columbia go up to \$100 million?

**Mr. Bert Clark:** Frankly, likely for the same reasons as us, which is that they've been delivering major pro-



jects now—Partnerships BC, which is the rough equivalent of IO, with a much narrower mandate but does a lot of the same things we do, actually started before us. They've had many, many years now of delivering large projects and are starting to think, "Maybe we could move that number up." Also, there is inflation, so \$50 million 15 years ago is not \$50 million today.

**Mr. Ehren Cory:** On the other part of your question, on the screening more generally, some version of doing a business case or doing a value-for-money analysis is what almost everyone does. There's a survey; it's in some of the third-party material. If you look at 20 OECD countries that use some kind of P3, 19 of them use something like what we do, which is to compare the cost of the financing against the risks.

One example where we know they used to do that and they've actually stopped now and screen on more, I'll say, qualitative factors in making decisions is in the UK, where they've actually started evolving beyond doing VFM. But in general, the answer to your question is that every jurisdiction uses some form of the screening tool we do, where you're trying to weigh that tangible financing cost against the risks that your transferring to the private sector.

**Ms. Lisa MacLeod:** Are any members of your board members of a similar entity in any other jurisdiction?

**Mr. Bert Clark:** No.

**Ms. Lisa MacLeod:** I only ask this because I used to be a member of government agencies. We actually had Infrastructure Ontario in a number of years ago.

*Interjection.*

**Ms. Lisa MacLeod:** You were on the committee then, too? I guess you can't get rid of me. I travel around with you.

The reason I was asking is because we did, in some cases, have have some people involved with lottery and gaming in other provinces and things like that.

What kind of conversations would you have, for example, with British Columbia in terms of best practices? Would that be quite frequent?

**Mr. Bert Clark:** There's something called the pan-Canadian working group that meets or talks at least twice a year. That involves more than us and BC. It involves now all of the jurisdictions that are involved, which is Alberta, Saskatchewan, the federal government, Quebec and—

**Mr. Ehren Cory:** New Brunswick

**Mr. Bert Clark:** —and New Brunswick. So they meet and talk regularly.

**Ms. Lisa MacLeod:** To your knowledge, are they also subject to value-for-money audits by the auditor? Have any of them been, do you know?

**Mr. Bert Clark:** I don't know what the mandate of the Auditor General is in each. I'm assuming it's about the same.

**Ms. Lisa MacLeod:** Would you know?

**Ms. Bonnie Lysyk:** There have been reports written by other Auditors General; I believe in Nova Scotia, and I believe there was a report written in British Columbia

as well. I think the federal government did some work in the area assessing their—I think it's called PPP—

*Interjection.*

**Ms. Bonnie Lysyk:** Yes, so there has been other work done.

**Ms. Lisa MacLeod:** Okay, very good. I have just one final question, and it's really not on topic, so just let it go, Chair.

With respect to the Ottawa LRT, you're working as an advisor there. You're also doing the same thing in Waterloo. What is the shape of the advisory role that you take with municipalities that choose to go it alone but then may need some support?

**Mr. John McKendrick:** Really, it's up to the municipality to decide how much or how little they want us. They will take our documents, and we will advise them sometimes to follow our advice; sometimes they don't follow our advice. Sometimes we will amend our documents—

**Ms. Lisa MacLeod:** Sort of like here at Queen's Park.

**Mr. John McKendrick:** It's their money, and it's up to them as to how they want to do it.

**Mr. Bert Clark:** In both of those cases, we were much more actively involved with the municipality, the region, during the procurement phase. Once the contract was awarded, they had actually built up internal teams within their governments.

**Ms. Lisa MacLeod:** So you helped them with risk assessment and how to do the scoring—

**Mr. Bert Clark:** Risk assessment, the documents, the process, the procurement. We helped them select a partner. Then, when they get into construction, they tend to take over more of the responsibility, I'd say. We're still present, and we're always happy to help. In both of those cases, we've certainly got calls after the fact, "Could you help me with this? Could you help me with that? Could you have a guy come out and see us?"

**Mr. John McKendrick:** And as an example, if an issue arises with the project company or a claim arises, they'll come to us and seek our advice. We will talk about our experience on similar issues on similar projects. That's one of the advantages: If you've done enough of it, or for a lot of it, then you tend to have seen more things than they might have seen on their own, if it's the first time they've ever done it. You can share that experience with them and help them deal with it, and make suggestions and recommendations about how to approach the issue with the project company, and they find that helpful.

**Ms. Lisa MacLeod:** So a lot of the companies that they would deal with, you would deal with quite frequently too, right?

**Mr. John McKendrick:** It would be the same companies, yes.

**Ms. Lisa MacLeod:** So that means that it's going to be on time and under budget. Is it?

**Mr. John McKendrick:** We hope so, yes.

**Ms. Lisa MacLeod:** Okay. Thanks very much. I do appreciate the round of questioning and you coming in. Thanks again to the auditor and her staff.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes the questioning. Thank you very much for coming in this afternoon. We appreciate all the information you've given us, and we can use it in our deliberations as to preparing a report.

With that, the committee does have to go in camera to discuss some of the report-writing, so if we could just clear the room as quickly as possible so we can get that done.

*The committee continued in closed session at 1441.*



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## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 1 April 2015

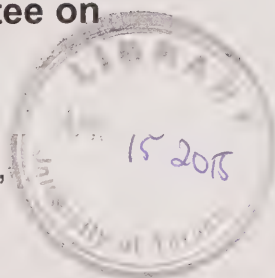
# Journal des débats (Hansard)

Mercredi 1<sup>er</sup> avril 2015

## Standing Committee on Public Accounts

2014 annual report,  
Auditor General:

University undergraduate  
teaching quality



## Comité permanent des comptes publics

Rapport annuel 2014,  
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## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Wednesday 1 April 2015

Mercredi 1<sup>er</sup> avril 2015

*The committee met at 1231 in room 151, following a closed session.*

2014 ANNUAL REPORT,  
AUDITOR GENERAL  
MINISTRY OF TRAINING,  
COLLEGES AND UNIVERSITIES  
BROCK UNIVERSITY  
UNIVERSITY OF ONTARIO  
INSTITUTE OF TECHNOLOGY  
UNIVERSITY OF TORONTO

Consideration of section 4.11, university undergraduate teaching quality.

**The Chair (Mr. Ernie Hardeman):** I call the Standing Committee on Public Accounts to order. We're here to consider section 4.11, university undergraduate teaching quality, of the 2014 annual report of the Auditor General. For our deputations this afternoon, we have the Ministry of Training, Colleges and Universities and the three universities that were part of the audit: Brock University, the University of Ontario Institute of Technology and the University of Toronto. I want to say welcome to everyone at the table.

Before we start, if we could just have the table introduce themselves for Hansard. You can do that right now, or you can do that as you start to speak, but we do need it on the record as to who's speaking. Once you've been introduced, from then on, you don't have to reintroduce yourself; Hansard will remember that. If there are any others who will be speaking or who will answer questions, we would ask that when they do that, they introduce themselves by name for the record.

You'll have 20 minutes to make your presentation. That will be the presentation for everyone, so if we have more than one speaker, make sure that you divide it up fairly. We don't want to start a fight because somebody's time was taken up. I will not divide the 20 minutes up for you.

I thank you again very much for being part of the audit, and also for being here today to help us understand what's happening. With that, the floor is yours.

**Ms. Marie-Lison Fougère:** Thank you very much, Chair Hardeman and committee members. We are very pleased to have the opportunity to address the auditor's follow-up report on university undergrad teaching qual-

ity. I am Marie-Lison Fougère, interim Deputy Minister of Training, Colleges and Universities. Joining me are David Carter-Whitney, assistant deputy minister of post-secondary education, and David Fulford, who is sitting behind us, assistant deputy minister of employment and training. We also have Dr. Cheryl Regehr, vice-president and provost of the University of Toronto; Dr. Tim McTiernan, president and vice-chancellor of the University of Ontario Institute of Technology; and Dr. Jack Lightstone, president and vice-chancellor of Brock University. You'll hear all of them in a moment, but if I may, I'll just make some introductory remarks from the ministry's perspective.

We know that all Ontarians—including students, parents, institutions, employers and other community partners—want to ensure that the significant investments they and the government make in post-secondary education prepare graduates for the demands of a socially complex society and globalized economy. With that in mind, we welcome the standing committee's interest in undergrad university teaching quality, and we're pleased to have this opportunity to respond to the Auditor General's recent follow-up report. We've made further progress since her follow-up report was published in December, and we're pleased to tell you about that as well.

To meet the needs of Ontario's future job market, the government set a goal to have 70% of Ontarians earn post-secondary credentials by 2020. Now at 66%, we've made significant progress. Since 2002-03, the government has taken steps to improve access for all qualified students, as enrolment in Ontario's colleges and universities increased by 43%, or more than 170,000 students.

In November 2013, the ministry introduced the Differentiation Policy Framework for Postsecondary Education. Subsequently, in 2014, the ministry negotiated and signed strategic mandate agreements with all publicly assisted post-secondary institutions. This was accomplished through a balanced and collaborative approach between the ministry and the sector.

The strategic mandate agreements focus on each institution's strengths within the context of provincial priorities while ensuring that colleges and universities operate as complementary parts of the whole system.

It is also important to note that teaching and learning is a key component of these agreements and is explicitly linked to a quality student experience.



For the past few years, the ministry has been working very closely with the sector on a number of key priorities that also focus on the student learning experience

—credit transfer, and I can elaborate further if so desired;

—Ontario Online, online education—we're actually in the process of setting up a collaborative centre of excellence in technology-enabled learning; and

—learning outcomes; we've been supporting the work of the Higher Education Quality Council of Ontario, an agency of the ministry, on learning outcomes assessment, and the council has been playing a leadership role in learning outcomes and has been working in partnership with a number of institutions across Ontario, but also in Canada.

When it comes to gaining a better understanding of student outcomes, capturing and reporting reliable data is a crucial element of our plan. In February of this year, the ministry released additional new data on students' outcomes, much of it by 26 program categories, offering more detail than had been previously available.

To continue and improve the collection of student-level data, the ministry has been working in partnership with all post-secondary institutions to implement the Ontario education number. The number, which is unique to every student, is used as the key identifier on a student's school records and follows the student through his or her elementary and secondary education. If you have elementary or secondary children, you would probably be aware of that number.

It is now being extended to post-secondary education. As of January 2015, about 97% of full-time and part-time university students now have an OEN.

As well, changes were made recently to the MTCU and Education Acts that will strengthen our ability to use data from Ontario education numbers to better understand, for example, students' transitions and outcomes. This is something that has actually been done in other jurisdictions: understanding the transition of students from secondary school to post-secondary education; and identifying what the barriers might be that inhibit student participation, progress, completion and transition to education or employment.

Those are a few highlights of the work we've been doing in order to address the auditor's recommendation. More details on these and other initiatives were included in our written submission.

Now, in order to give everyone a chance to deliver their introductory remarks, I will turn it over to Cheryl Regehr, who is provost and vice-chancellor of the University of Toronto.

**Dr. Cheryl Regehr:** Good afternoon, and thank you for providing this opportunity to speak before the Standing Committee on Public Accounts and giving the opportunity to address the Provincial Auditor's report on university undergraduate teaching quality.

Let me start by acknowledging the importance of accountability. We, at the University of Toronto, believe that we are the trustees of the investments that our stake-

holders—including our students and the public—make in our university. We believe that demonstrating the efficient and effective use of investments is essential to this accountability.

Since the audit of undergraduate teaching quality was initiated in 2012, we've had the opportunity to exchange information and ideas with the Provincial Auditor's office. Through this process, we've had the opportunity to enhance our focus on teaching excellence.

Through the rollout of our course evaluation framework in particular, we've made great strides in the assessment of teaching quality. I'm pleased to say that we've made progress on each and every one of the recommendations of the auditor's report and will continue to do so.

Rather than addressing each of these recommendations, I wanted to take a few minutes to speak about the broader goal for Ontario universities identified in the auditor's report, that of "teaching its students and preparing them for the future workforce." Specifically, I want to elaborate on how the University of Toronto addresses this important objective given its distinctive role as Ontario's globally recognized, comprehensive and leading research-intensive university.

In response to societal and economic demand for greater access to post-secondary education, the University of Toronto has expanded its enrolment by 23,000 students in the last 12 years alone. Today, across our three campuses, the university enrolls 84,500 students, 68,000 of whom are undergraduates.

**1240**

While we educate the largest number of students of any university in Canada, we're also committed to the success of every single student. More specifically, we are absolutely committed to the quality of learning achieved in our classrooms, our laboratories, our seminars, our studios and in the field.

To do this, we have enriched university strategies and supports in flexible and creative ways to enhance teaching quality and further support the learning outcomes and workforce readiness of our students.

To enhance teaching quality, we have created a category of teaching-stream faculty, thereby resulting in a lower reliance on part-time and sessional instructors. We offer teacher training to all of our faculty to help them augment their skills. Our online course evaluation system is an amazing new resource in our tool kit to measure teaching effectiveness. At this point, 80% of our students, or 66,000 students, are now using the system to evaluate the thousands of courses offered by the university. We are very proud to have been one of the first Ontario universities to implement a system that is now being emulated by others.

To support the learning outcomes of our students, we have implemented a big-and-small strategy so that all students, including first-year students, are given the opportunity to experience small-group learning formats. All students have the opportunity to learn from some of our best teachers in large undergraduate courses supported by



the latest technology. New learning formats such as flipped classrooms, online courses and IT innovations enrich hundreds of our courses.

To support workforce readiness, we offer hundreds of experiential learning opportunities. These include co-op placements, internship and practicum terms, professional experience year opportunities, entrepreneurship training, placements in community organizations, study abroad opportunities and undergraduate research learning opportunities.

To help our students market themselves to employers, we have developed a co-curricular record to supplement the academic transcript. Students can document their learning experiences outside the classroom, including their volunteer activities, their leadership training, their student government participation and entrepreneurship activities. Again, we're leading other universities in this initiative to help students compete in the marketplace by officially documenting what the employers are looking for.

Let me close by saying that as an institution of higher learning, we at the University of Toronto, like our sister institutions, will continue to learn and will continue to advance our most important mandate: the education of our students. Thank you.

**Dr. Tim McTiernan:** My name is Tim McTiernan. I'm the president and vice-chancellor of the University of Ontario Institute of Technology. I am very pleased to be a part of these hearings. Thank you for the opportunity to present our university's perspective.

The University of Ontario Institute of Technology, as you know, was announced in 2001, legislated in 2002, took in its first class of 947 students in the 2003-04 academic year, and now has approximately 10,000 students at the undergraduate and graduate levels, with over 70 programs covering degrees to PhDs.

Our students are largely greater Toronto area students. In fact, over 40% of our students are from east of the Rouge River. Half of our students work at least 10 hours a week; more, proportionately speaking, commute long hours than students in other universities. More than half have dependent responsibilities at home, and 85% receive some form of financial aid and support.

Eighty-four per cent of our graduating cohort last year had some form of experiential learning as part of their course material, and that is reflected in our graduate employment figures two years after graduation, where well over 90% of our students—in fact, 95% is the figure I have in my briefing notes—have employment and careers relevant to their training. That's largely because the UOIT was established with a specific mandate to deliver career-focused programs to address college-to-university transfers—about 30% of our new intake every year are students coming from a college environment—and to be focused on degree activities that are responsive to the changing needs of the economy.

We are a science-, tech-, engineering- and math-focused university. We're the smallest of the three institutions represented here, with relatively small class sizes,

on average, of about 60 students. We provide technology-enriched learning, and we provide students with industry-standard tools to facilitate their learning and give them a competitive advantage for employment, following completion of their degrees. We think it's working. I cited our employment stats.

We have standardized procedures for student course evaluations applied to all undergraduate offerings, regardless of who is offering the course. These evaluations are summarized every year by faculty at the university level, to allow for comparative assessment of teaching. The instructor and the deans review these evaluations.

Teaching effectiveness is a significant component of the assessment for tenure and promotion. If issues are noted, related to teaching, instructors are formally encouraged to access the appropriate resource, including remedial help from the Teaching and Learning Centre, and that does happen.

All new instructors, including sessionals, at UOIT attend an extensive workshop offered by our Teaching and Learning Centre, which is a resource to our faculty members as they improve their teaching effectiveness and their teaching methods.

I want to assure the committee that UOIT takes teaching very seriously, and we continue to invest in our students and in the professional development of those who teach them.

Thank you.

**Dr. Jack Lightstone:** Jack Lightstone, president and vice-chancellor, Brock University. Thank you, Chair Hardeman and members of the committee, for the opportunity to speak with you.

Just a bit about Brock and then on to the topic at hand: Brock was founded 50 years ago, largely as a local regional university focusing on the liberal arts and sciences, with a teacher college. In 1999, its mandate changed substantially when it began to incorporate research and graduate education in a pervasive way across its departments as part of its mission.

The university has grown substantially since 1999. For many years, we hovered around 9,000 to 10,000 students; we are now at 18,800 students. In other words, we have basically doubled in size over the past 15 years or so.

The university, from its very inception, had a very strong culture of teaching excellence which it still values, even while it has ventured into research and graduate studies. It has developed a number of significant areas of research strength, recognized in our strategic mandate agreement: biotechnology, psychosocial development, environment and sustainability, neuroscience, and health science, among others.

Our business school is accredited by the international Association for the Advancement of Collegiate Schools of Business, and its student honour society is ranked in the top 5% in the world of AACSB member institutions.

Brock's tradition of trans-disciplinary research that serves local economic, social and cultural needs is very strong. I'll just reference one of those institutes, the Cool



Climate Oenology and Viticulture Institute, which serves the grape and wine industry. For those of you who have enjoyed the 2012 vintage, one of the best in the history of Niagara, that vintage would not have existed at all, were it not for our research, because most of the vines would have been killed in the cold weather event that occurred in April 2012.

**Mr. Lou Rinaldi:** We thought we'd get samples.

*Interjections.*

**Dr. Jack Lightstone:** Next time.

Brock's tradition of valuing teaching has been evidenced in the teaching awards established in every faculty and by the university; in the very large number of 3M teaching excellence awards, the national 3M awards, that have been awarded to our faculty; and in an ongoing dialogue among our faculty about teaching excellence and teaching quality, supported now by an ever-enhanced Centre for Pedagogical Innovation and the establishment of a vice-provost position in teaching and learning—and our senate has a standing committee on teaching and learning.

We are, like UOIT, very strongly committed to experiential learning. We have the third-largest co-op education program in Ontario, the fifth-largest in Canada, and the largest business co-op program in all of Canada. We have also been developing, at a very strong rate, other forms of experiential learning, a whole gamut of types. We too, like U of T, offer an experience transcript along with our formal academic transcript.

It is no secret to you that, with respect to the use of teacher evaluations, our development of their use has been hampered by provisions in our collective agreement. We recently renegotiated that collective agreement in August 2014. We made many gains, which I'm pleased to talk about, but one of the gains we did not make was seizing back ownership of the course evaluations from the faculty. Notwithstanding that, I believe that Brock has had a long standing of valuing teaching excellence and continues to do so.

I'd be happy to answer any of your questions.

1250

**The Chair (Mr. Ernie Hardeman):** Thank you very much for your presentations. We're going to start the questions with the government side.

I just wanted to say, for full disclosure for the committee, that I have a lot of money tied up in Brock University: They educated two of my sons.

We have the government asking. Mr. Potts.

**Mr. Arthur Potts:** Yes, thank you. Thank you very much for coming here and participating in this. I wanted to start somewhat philosophically. But before that, I have to declare my own conflicts as a graduate of U of T; I started in 1977. I have a picture of Brock in my constituency office, right beside Tecumseh, so I have a great affection for both of those.

But I wanted to start with this: What I think was sort of a basic aspect of this whole review was the premise of teaching and preparing for the workforce. I come from a very general liberal arts background, where the focus in

the university sector was less on preparation for the workforce than it was on preparation of the mind and learning, all those aspects.

I wonder if you might just comment briefly, because it will go to the questions I have about the experience of a liberal arts education, which I think is what distinguished universities initially from colleges, technology institutions and such like that. Maybe if you just had a comment on the experience of a liberal arts education rather than streaming? I had to resist, even in 1977, the direction that I had to be streamed into a major and a minor. I just wanted to take courses that I was interested in, and I did, but it came with some cost.

**Dr. Cheryl Regehr:** People are looking at me, so I will begin.

I agree with you that a liberal arts education is a wonderful thing for students to have. We've really been working on integrating a liberal arts education so that students get broad sets of skills in terms of critical thinking, broad awareness of the world and a broad awareness of social issues—at the same time as thinking about how those skills prepare them for a life of learning and a life of working and engaging in society.

Let me give you some examples of how we do that at the university and how we integrate those two. We have a program in our faculty of arts and science called Step Forward. The Step Forward program is for all undergraduate students in the faculty of arts and science. The first step, year one, is the step into university, so the focus is on helping students develop skills that will help them transition from high school into university. Those skills include study skills and self-management skills, because there are different kinds of skills that students need to have in order to handle a university career, as opposed to a high school experience.

Step two is the step into a program. At the University of Toronto, in the first year you take a very, very wide range of courses, and then in your second year you decide what your major is or your majors are. The second year, then, is stepping into your major so that people can understand what they're interested in doing, how they select that and what this might prepare them for.

Year three, or step three, is the step into action. That's where we get students to spend time thinking of the various experiential learning opportunities that they might have already had or that they're about to take, and how those experiential learning opportunities connect with their longer-term goals.

Finally, in the final year, the step into the future, we focus on taking their liberal arts education and how that prepares them for future careers. We focus very heavily on mentorship and other kinds of experiences like that.

Within the action phase, if I could just take another couple of minutes, we have a number of different opportunities. One of those is the opportunity for what we call service learning courses. We have many, many courses, in disciplines that you wouldn't expect, that help students give something back to our communities.

One example of this is in our math program. We teach students who are math majors to take their knowledge



and put it in understandable ways so that they can tutor students. They go into high-risk high schools and provide tutoring. There we're taking students who have a math major, which you might not automatically expect would fit with service learning, and finding ways in which they're able to do service learning.

That would be one of the kinds of examples where students would take that very broad-based education and think about how that might apply in real-world situations.

**The Chair (Mr. Ernie Hardeman):** Yes?

**Dr. Jack Lightstone:** If I may add to my colleague's remarks, part of your question explicitly addressed the issue of whether a liberal arts and science education is still a valuable pathway to the workforce. Quite apart from all of the efforts that all of our institutions are making in order to complement in-class learning with experiential learning—which helps people, I think, gain the skills and confidence that they need for the workforce—all studies over the past number of years have shown that people with liberal arts and science undergraduate educations do get work. They get work in significant numbers and, for the most part, they consider the education they received in the liberal arts to be relevant to the work they're doing.

The most complete study, I think, done to date was spearheaded by the University of Ottawa just last fall, which gives, I think, very detailed information about the job outcomes and employment outcomes of various disciplines, and that confirms that over the long haul—not necessarily one year to the next, but over the long haul—a liberal arts and science education probably provides the best job opportunities through the ups and downs of the economy than just about anything else.

**Mr. Arthur Potts:** Right. If I could, in the second part—sorry; go ahead.

**Dr. Tim McTiernan:** Thank you for the opportunity. It seems strange for somebody from a university that has the word “technology” in it to speak about the value of a liberal arts education. But to the issues of critical thinking, problem analysis, problem-solving and communications, there are elements that are embedded in a liberal arts education that we pay strong attention to in our professional and science- and technology-oriented programs, because that's what our employers are telling us they need, in terms of students who come out and not only have the technical skills but have the adaptability and the ability to integrate productively into a workplace.

We, like our sister institutions, have a variety of strategies to provide our students with those learning experiences. On a fundamental level we work very closely with Trent University in a variety of dimensions, but, particularly with respect to Trent, in providing electives for us.

More broadly within our own evolution as an institution, we're working on pedagogical shifts, as the other institutions are doing, towards less classroom time and courses; more online substitution of course content delivery; more small-group projects where students learn how to work together on problem analysis, problem

definition and problem resolution; and more experiential learning opportunities.

Capstone projects are common across our faculties in senior years, where students and groups take a real, live problem in a business or in a public service environment, address it and come up with solutions.

An example I'll give—I won't get the precise characteristics right, but we have a group of students working on a capstone project at the Grandview Children's Centre to develop a serious game where children with different cognitive abilities can strengthen their cognitive, problem-solving focus in the game. It's something where our students learn not only how to work with each other, not only how to work to deliver a project to an institution, but how to work with clients who require some degree of interpersonal skills to deal with.

Our students are active in inter-varsity competitions where communication becomes a fundamental aspect of winning and succeeding, and they are successful. We have leadership opportunities and volunteer activities in the university and in athletics that support the types of characteristics one talks about.

**1300**

I should probably leave it at that, but we manage around the program specifics to augment the students' experience to provide that richness of breadth.

**Mr. Arthur Potts:** My question arises out of the notion of the fifth recommendation from the auditor's report about student outcomes and tracing them after graduation. I'm delighted to hear about your 95% success ratio, particularly in areas of their education choosing. It may be harder to do in the liberal arts sense, but maybe not, given the kinds of comments that have been made.

What progress have you been making on identifying the outcomes of students in employment after university and how does that feed back into the training, tenure placements and other aspects within your school? If kids are being more successful coming out of university, that should reflect back on the instructors.

**Dr. Tim McTiernan:** I'll take a short, quick stab at it because we rely on figures that are generated across the system that work quite well. But we have the advantage of actually being able to establish a relationship with our alumni at a very early age in the life of the institution, and we track and work with our alumni very closely.

We also have several hundred regional businesses, enterprises, and not-for-profit and public sector organizations with whom we do placements with our students. We canvass those on a regular basis. We get anecdotal feedback, but we also get constructive feedback about what is and isn't working and we incorporate that into how we orient our students. That transition point becomes quite important, to have a step out somewhere where you've had the experience, in many instances somewhere where you end up working as a result.

**Dr. Cheryl Regehr:** I could perhaps add that, as Tim mentioned, there are system-wide numbers that come out in terms of employment, and those are released to us from MTCU. At the University of Toronto, with a very



different suite of programs than UOIT would have, our two-year employment rate is at 92.6%. That is one measure that we have of success. Other measures that were also mentioned are engagement with our alumni, who come back as mentors. We have alumni mentors who are engaged in many, many different aspects of the university. They come back and talk to students about what they were able to do with their degrees and what kinds of careers they've had.

We also have alumni mentors coming in our entrepreneurship activities. We have a course called Entrepreneurship 101 that hundreds of students take in the arts and science. We have innovation hubs. We have alumni who volunteer their time in those, who give us opportunities to see what kinds of outcomes there are.

In addition, however, there is a new survey that just began, and it's being run out of British Columbia. This is the first year we're engaging in that particular survey. It's for students who are five years out of undergraduate. It asks specific questions about what aspects of their undergraduate education are helpful in their current experience in the workforce, in their career and in their life.

As I said, this is the first year that we've engaged with that. That's all very new data. We could provide some follow-up data, if you wish, in written form, once we have all of that and once we have the reports back.

**Mr. Arthur Potts:** Does it feed back into your training of your instructors?

**Dr. Cheryl Regehr:** It certainly will. As I say, this is new, and we're just engaging in it, but it will absolutely be something that feeds back into the system.

**Mr. Arthur Potts:** Excellent.

**Dr. Jack Lightstone:** In terms of the feedback loop, which is one of the things you're wanting to get at, the other thing that I just want to add is that there are many more people involved now in the education of our students than just the instructors. When we talk about experiential learning, co-op education, entrepreneurship experiences and so on, there is a cadre of staff now that work at the university in a correlative fashion with our instructors to provide many of what I would call these value-added aspects of their education that specifically help them be better positioned for the workforce. This, too, happens not just in the technical disciplines like engineering but also even in the humanities.

For example, at a number of our institutions, Brock included, we have a co-op program in history. People ask me, "Where do you place history students?" Part of the co-op program is the preparation of the students before going out, and the debriefing of them when they come back, and the debriefing of the people with whom they've had co-op placements, when they come back. Our co-op office really spearheads that.

When we talk about a feedback mechanism, the feedback mechanism includes not only, at the instructional level, what the individual instructor does as a professor—but also in terms of refashioning the structure of the program, which is a departmental and faculty issue. Also, there are, in all of our universities, offices filled with

competent staff who work hand in hand with the academic departments in structuring these experiences and improving those experiences, based on the feedback gotten.

**The Chair (Mr. Ernie Hardeman):** Mr. Dong.

**Mr. Han Dong:** Thank you very much for coming and making that presentation. Just so you know, in our previous discussion on this topic, one thing that I noticed is in the AG's recommendations, "collect and make public sufficient information on student outcomes" was one of the recommendations. The concern was that that the data are still not published at the university or program level, to better assist students in making informed decisions on their university and program of study.

I heard that the acting deputy made a note on, and she used a couple of sentences to explain, the Ontario education number, which will now be extended to post-secondary study. I find that very interesting. I just wanted to ask if you would explain how that will help the students, or how that will help to improve student-level data. Would you make that data available to the public? Is that the plan? Because I think it would be very helpful for the public. I don't know if you've picked a date yet, but when would it be released, or when would you be starting to roll this out?

**Ms. Marie-Lison Fougère:** I'll start, and then I'll ask ADM Carter-Whitney—

**The Chair (Mr. Ernie Hardeman):** You just have one minute left—

**Ms. Marie-Lison Fougère:** How many minutes, sorry?

**The Chair (Mr. Ernie Hardeman):** Just one minute—

**Ms. Marie-Lison Fougère:** One minute—I'll fill a minute. No problem.

The Ontario education number is actually critical. It's now in effect. It has been proclaimed—actually, yesterday. This will be absolutely critical for the ministry, working with the institutions, to really, really start getting a better understanding of quality of education through the kind of information that we can collect by linking the data to that student number.

It has all been cleared through the privacy commissioner, so there are no privacy issues here.

It has been done for years in K-to-12 education, so everyone has a unique identifier. We have worked with all of our universities and colleges. It has now been extended to all institutions.

It's going to take time because, obviously, we need to work closely with institutions in order to implement this, but there is no question that this will advance the ability of the sector and of the government to get a better understanding of quality from a student perspective, as it relates to their education.

**Mr. Han Dong:** Would that be made public—

**The Chair (Mr. Ernie Hardeman):** Thank you very much. You'll have to hold that thought to the next time around.

**Ms. Lisa MacLeod:** Mr. Chair, I'll give him the extra minute—



**The Chair (Mr. Ernie Hardeman):** Okay, but that's going to confuse it all.

**Ms. Lisa MacLeod:** Okay.

**The Chair (Mr. Ernie Hardeman):** It's now with the official opposition.

**Ms. Lisa MacLeod:** Thanks very much to everyone. My name is Lisa MacLeod. I actually grew up in a little place called New Glasgow, Nova Scotia, and I'm a proud St. FX graduate. Growing up there, obviously, I learned a little thing or two.

I'm very proud today—I have to show this. I got this from some Brock University students, and I use it every single day. I live, basically, on the University of Toronto campus, which is beautiful. I'm really proud of the legacy of the Ontario government, particularly under Ernie Eves and Mike Harris, that we have the UOIT, which we all have. I feel a connection to each of your schools in one way or the other.

I must say, I thought the auditor did an outstanding job on this audit. It's one of the very good news stories, I think, out of the government of Ontario, when you see in audits that your government is working, with a few minor tweaks. I think that there are some areas of concern, and I'm really pleased that the deputy minister is here today.

1310

With respect to you being here, Deputy, we talked a little bit about—and I thought Mr. Potts had a good question with respect to a liberal arts education as many of us, previous to the early 2000s and certainly now, would have experienced when we went to university. Over the past decade, I would say, we have seen dramatic changes in post-secondary education throughout Ontario, and really throughout the rest of the world.

I think you mentioned—a number of you did—getting people career focused. You've talked about the introduction of Internet technology, people doing online learning. My husband is actually a professor who deals solely in online learning.

And then of course you're talking about something that I don't think is a new phenomenon, but it has certainly expanded: People have gone on, started their career, started their family, and then they're starting to go back. Now that has all dramatically changed.

We're talking about quality education at the undergraduate level, in the context of all those changes that we're only just really getting to understand. Maybe I'll start this off with the deputy: How has the ministry adapted to that? Have you seen some of the challenges, whether it's in an older school or a newer school, of which we have both here; or a larger school or a smaller school, of which we have both here? Have those challenges been discussed?

Secondly, I used to be the education critic, and we talk a lot about the testing of our students and standardized testing. We have EQAO, for example, at the secondary school level and even in elementary. Has there ever been any consideration to going to a sort of model of testing so that it doesn't take an auditor's report to highlight some of these rankings or understandings of where our students are?

**Ms. Marie-Lison Fougère:** Thank you very much for the question. There are a couple of things I'd like to say. I think that there is a recognition that higher education, post-secondary education, is changing. It is actually changing across the world. There are many, many emerging issues that I think it's fair to say institutions are contending with, and so are jurisdictions across the world.

I think that the return of adult learners so to speak, or professional people who wish to go back either to university or college, is a phenomenon. Basically, when we look at the data that we have, the majority of learners that we serve there—about 80%—belong to the 18- to 24-year-old cohort. Then you've got about 20% who fall in the category of adult learners who may just be returning or going to continuing ed or something. It is an emerging phenomenon.

It is fair to say that, at least as far as the ministry is concerned—we also have another side of the ministry which is responsible for employment training. A lot of these people get access to employment and training programs, be it Second Career or Literacy and Basic Skills and all these kinds of employment services.

I don't know if this is what you were getting at, but there is an issue around the flexibility of delivery, particularly if you are trying to respond to the needs of someone who has a full-time job or they may be working part-time. They can't afford to leave the workplace, that kind of case, which is quite frequent when you talk about adult learners. Flexibility of delivery and the extent to which we can explore new and more flexible modes of delivery—online being, obviously, one that is quite helpful in that respect—is something that we're looking at in the ministry. We've had quite a number of conversations with institutions. If you look at the strategic mandate agreements of institutions, and they're all posted on the website of the ministry, you will see that, in fact, there are very specific examples of what universities and colleges are actually looking at in terms of flexible delivery. I would say that for working-age adult learners, this can be an impediment, and this is something that we are interested in looking at pursuing further, but it's fair to say that institutions are also doing a whole lot. They look at the profile of their students, they look at who applies and, as a result, they respond.

*Interjection.*

**Ms. Marie-Lison Fougère:** Finally, I'm being reminded that we're just setting up Ontario Online, which is a consortium of all institutions. We have a board made up of—and this is quite something. In Ontario Online, we have a board made up of universities, colleges, students and experts. In fact, Jack Lightstone is the co-chair, along with—

**Dr. Jack Lightstone:** Judy Morris.

**Ms. Marie-Lison Fougère:** —Judy Morris from Lambton College in Sarnia. In fact, we have invested a fair amount of money—millions of dollars—in the development of new online courses that will start being delivered in the fall. So I think that this is one thing.

The other thing that I'd like to point out is credit transfer. We've done a lot of work on credit transfer. Again, I



think it has been fairly transformative in the sense that now we have the Ontario Council on Articulation and Transfer, colleges and universities being in charge and working closely amongst themselves but also with the ministry. With credit transfer, one of the things that we need to be very conscious of is that it is important to recognize what adults have actually done in order to then allow them to complete what they may want to do in terms of professional development and avoid having to repeat learning that they have already achieved. So the credit transfer initiative is part of this.

On the testing issue, I have to be quite frank: We have not been looking at testing as such, in the sense that you have evoked. I used to be in the Ministry of Education, so I understand very well the EQAO agency and understand—

**Ms. Lisa MacLeod:** It's not controversial.

**Ms. Marie-Lison Fougère:** I understand very well. In fact, at the time I was part of the team that basically developed all of the student achievement programs. I think that in post-secondary—and there's a lot of assessment that happens at the institutional level—I would say, from a jurisdictional perspective, that this is something that is being discussed at a conceptual level because of the emerging concept of learning outcomes and how you assess learning outcomes. It's fair to say that there isn't a jurisdiction in the world that has actually found an answer because you need to respect the fact that institutions have the primary role to play when it comes to assessing learning outcomes in relation to programs, in relation to disciplines, and accreditation bodies as well.

In terms of what a government can do, I think it remains to be seen: What would be useful? Would there be value added if this were to be considered? This is where, actually, the higher education council, HEQCO, has been looking at learning outcomes assessment. They've been working, actually, with a number of institutions to see what makes sense, because one of the things you don't want to do is just assess for the sake of assessing. It has to add value.

**Ms. Lisa MacLeod:** When you look at, for example, what Dr. Lightstone has to deal with—not having the ability to provide any of the student assessments to be available to current students because of collective bargaining—I'm just wondering if there was an ability there for assessments. I won't lie. My husband was an Acadia grad and I was a St. FX grad. When St. FX wins the ranking in Maclean's over Acadia every year, he hears about it for 24 straight hours, every hour on the hour. So many students look at the Maclean's rankings. I'm just wondering if we were more proactive at a provincial level.

Again, when we talk about other jurisdictions, in our research and even in our conversation that we're having right now, we've alluded to the British Columbia survey and their ability to look at five years out—the exit outcomes. Is Ontario prepared to do any of that? I think that every Ontario student, or any student coming into Ontario to go to one of our wonderful universities would

probably like to have that information. We are in an information age. I'm wondering if the ministry is contemplating—and by the way, to the other deputants, if you have anything, please jump in. I'm just wondering if we would consider moving to making this information more readily available, because I think more information is power. The more information we have, the better we are able to equip our faculties to deliver better outcomes.

**Ms. Marie-Lison Fougère:** Maybe I'll ask ADM Carter-Whitney to respond. Maybe just one thing, David, before I do: I think that your question can really be parked under the notion of transparency and providing better information to everyone and as much clarity as possible. I think that the ministry has been doing a lot of work on labour market information and how this can be linked to education. David will give you an idea of the progress we've been making.

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The one point I would like to make about BC is that BC has had an Ontario education number in post-secondary for quite a while. It takes time to actually develop mechanisms, and you also have to make sure that they are very rigorous and that they are not providing misleading information.

David, maybe speak on the progress we've made so far?

**Mr. David Carter-Whitney:** Sure, and I guess I'm supposed to introduce myself. I'm David Carter-Whitney. I'm the assistant deputy minister of post-secondary education for TCU.

Thanks for your question. I think it gets to, really, the essence of what this discussion started from: How do you get at quality? How do we know if we are doing well? It's a discussion that the ministry has been engaged in for a number of years. I think the Auditor General's report maybe sharpened our attention a little bit.

The use of key performance indicators is a way of really trying to get at quality. It's trying to say, without doing a standardized test in the EQAO sense, what are the outcomes? What are people's experiences coming out? That should be an indicator of how well they're doing.

We have been collecting and publishing data. Even just since the most recent update, we have expanded and made more data available as of February 2015. Where previously we gave employment rates at an institution level, we're now breaking it out into 26 program categories and by institutions. You can see how a humanities grad fares at six months and two years.

We are providing relatedness of their employment. We are surveying individuals—those who are employed—about how relevant the area of study was specifically and then how relevant the skills are that they acquired. Because they may have—again, history—

**Ms. Lisa MacLeod:** The math example is good.

**Mr. David Carter-Whitney:** Yes—so to get an indication of to what extent do individuals see that the studies that they did were related and helped them into employment.



Just to say, we also look at salary ranges. We're publishing about incidents of unpaid internships, whether they participated in co-op and didn't, things like that. We're trying to expand the data.

I think the question is right. We're going to continue to push that. We have work we're doing with the sector both to figure out what the right measures are and also how to improve the reporting rate.

One of the challenges of this methodology is we get a response rate of about one third. That then has a problem: Are you getting representative samples? So we have been looking at how do we drive that up. We're introducing phone surveys and things that try to get through the survey fatigue that students are—we're not the only ones who are sick of responding to surveys on various things.

All that is to say is, I think, we'll continue to push on this. We want to know about aboriginal self-identification, first generation students—a whole range of things that help us understand who's there and how they are doing.

**Ms. Lisa MacLeod:** I'm just going to see if there's time.

**The Chair (Mr. Ernie Hardeman):** Five minutes left.

**Ms. Lisa MacLeod:** Thank you.

**Mrs. Julia Munro:** Thank you very much for joining us today. As I've been listening to the comments and questions from the others, I realize that it's incumbent upon me to disclose the fact that I'm a graduate of the University of Toronto.

A couple of things that haven't been touched on that I thought maybe you would like to spend a few minutes to discuss: the teaching learning centres, because as a former secondary school teacher, I'm aware of the value and the risk of so many different learning methods and teaching styles and things like that. I thought perhaps you might be able to give us a sense of what one of these centres looks like, who would come and under what sort of circumstances.

**Ms. Marie Lison Fougère:** I think Dr. Lightstone would like to.

**Dr. Jack Lightstone:** As soon as my mike goes on, I'd be happy to take a stab at the question.

*Interjection.*

**Dr. Jack Lightstone:** Okay. I'm still Jack Lightstone, for the record.

I'm sure ours is not that much different than what you would find at other universities. For example, what our Centre for Pedagogical Innovation does is, number one, it provides teaching workshops as an orientation for all incoming new faculty members. We can't force them to go, but it's part of the orientation session they go through. It also provides mandatory pedagogical training for all TAs in our university. Then it also has thematic workshops on various issues in pedagogy throughout the year that it advertises throughout campus and invites people to come to.

More recently, it has also begun to have what's called learning communities. In other words, since pedagogy in math might present different challenges than pedagogy in

sociology, they have been organizing groups along these lines for people, to enable them to launch pedagogical seminars on areas of common interest.

The other thing that they do for us is they have been the lead in helping faculty advance the use of technology, whether it's in hybrid learning or in online courses across the university, and in the incorporation of forms of experiential learning right into course design.

Experiential learning runs the gamut from things like a co-op placement—which is completely apart from one's courses, right?—versus, at the other end of the continuum, building into a particular course an experiential placement—within the course—where students, during the course, go out into a placement and come back into the course and alternate. Our centre helps individual faculty members design their courses to do that.

It also advises our faculty on appropriate measurement, appropriate development of actual course syllabi, and the structure of a course. I developed an online course two years ago. I turned to them for all sorts of advice on assessment in an online course, on how to define learning outcomes for the course within an online mode, and so on.

**Dr. Tim McTiernan:** If I could just add a few words to what Jack has just said, our teaching and learning centre is very similar. It does provide a two-day workshop for every new faculty member who comes in. Every new sessional instructor who comes in gets a day's workshop. There's a stipend that the professors get to support their participation, but their participation is expected.

Beyond that, as Jack has indicated, they provide support in best practices, support in the development of online programming, and actually are a catalyst for pedagogical change and for course redesign and delivery. We have a new associate provost starting shortly, one of whose chief remits will be to keep that process invigorated.

One of the key things that our teaching and learning centre has been involved in over the years is the integration of technology into the classroom, and support for technology, particularly since we're a laptop-program university at the moment. The teaching and learning centre is involved in a major think-through on how we migrate from being a laptop program to being a bring-your-own-device program, with all of the technology as well as the pedagogy that that entails. In that respect, there is very close engagement with faculties and with understanding shifts in pedagogy that are taking place elsewhere.

It's interesting that we're here today when there is a large contingent of UOIT faculty, along with OCAD U, Trent and Durham College faculty, at a conference in Ireland, dealing with colleagues in Ireland who measure outcomes differently, modularize programs differently and, in fact, have parallel teaching experiences but in a different structure. One of the major themes of the conference, and a focus of the conference, is on pedagogical changes in the post-secondary level at both the college and the university level.



That addresses the earlier question about how you address lifelong learning requirements and how you provide a reach-out system beyond the degrees so that, essentially—to use a technology analogy—people who want to reboot their qualifications get the chance to do it.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. We will now go to the third party: Ms. Sattler?

**Ms. Peggy Sattler:** Thank you very much, and welcome. It's great to have you here. I am the NDP critic for training, colleges and universities. Before I was elected, I was a researcher at Academica Group, which specializes in the post-secondary sector, and did a multi-year project for HEQCO on work-integrated learning. Oh, and I should also say that I'm a grad of McMaster and Western, but I did take a night course at U of T.

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I'm delighted to hear about the work that's being done in your institutions to provide students with experiential learning and other forms of work-integrated learning.

I'd be interested in your comments on some of the findings from the HEQCO project that I was involved in. That project involved large-sample-size surveys of students, faculty and employers, and heard about some of the barriers and challenges to participating in work-integrated learning programs.

Students said that these programs were mostly clustered in certain faculties and not available broadly across the institution. I think it's really exciting that it's available in history at Brock, but I don't know if that is the trend within the sector. That was definitely an issue that I heard then and that I continue to hear now. Both OUSA and the Canadian Federation of Students have flagged this as an issue: that students are not able to participate broadly across faculties in these kinds of programs. Other issues were around the potential costs for students to participate: if they had to look at giving up a part-time job in order to take up a short-term field placement or other thing, and also potential relocation costs. There are some real barriers that may prevent students from participating, and I know the student organizations are very interested in trying to address some of those barriers.

On the employer side, the HEQCO research found that only 40% of Ontario employers are providing these kinds of placements, and I know from the institutions that I've talked to that it can be a real challenge to get employers to agree to take on these students. I'm very interested in hearing what your institutions are doing to engage more employers in providing these opportunities.

Finally, when we spoke to faculty, they often talked about the challenges of delivering these kinds of programs, particularly when there wasn't a robust institutional infrastructure to support them. As we're seeing more innovative integration of these programs in non-traditional fields of study, I think that there is less likelihood that there is institutional support there to help deliver them.

I think that from the student perspective, and clearly from the institutional perspective, you do recognize how

fundamental this is to the quality of the learning environment. Students talk about how these opportunities have enhanced their educational experience, and there's also data that I'll come to later about the outcomes that they support. But first, on the delivery side—the challenges for students, the challenges getting employers, and then also faculty delivery of these programs.

**Dr. Cheryl Regehr:** Perhaps I could take the first stab. When people think of barriers, it's because perhaps they're thinking too narrowly about what is experiential learning and what is work-integrated learning. When we think across the continuum, there are the co-op programs which both Jack and Tim have talked about, and we have as well. In engineering, they have a professional year experience, which is a full year. Obviously, that means that students' number of years to degree are extended. For some students that works; for some students that doesn't work. Co-op placements also often have some kind of extension to the length of the degree. In many, many of our disciplines—the health sciences, which are both undergraduate and graduate—experiential learning is an integral part of the experience, and it's just another course; it is a part of what the experience is.

But if we think about beyond that, things such as service learning experiences—that's what was talked about in terms of it being part of a course. That can be envisioned in a very broad way, what that experience might be for the students. It is a part of a course. They don't have to take it in addition; it's integrated into their learning experience. The course, then, has some kind of an assignment where they reflect on that service learning experience and talk about how it fits with what they've learned academically.

In addition, undergraduate research experience in a lab is service learning or work-integrated learning. Many of these students might be choosing to go on in other kinds of fields that are going to involve lab work, so that might be part of a course. We have special courses that students can take that are basically a research course where the student works with one professor. That's another form of learning that the students do that is work-integrated learning.

We certainly all have centres. We have a centre for community partnerships, and that centre helps faculty members work out how to do a service learning component in their courses, particularly in non-traditional courses, where they hadn't normally expected to do that kind of thing.

Part of the challenge is helping students think much more broadly about what is a work-like experience. Maybe being a student governor and being engaged in the politics of the university is a service learning experience. How do we help them articulate that and see that as part of their learning experience?

I think all of us have a huge array of what these work-integrated learning experiences might look like. For instance, I was talking about Entrepreneurship 101 and being in an entrepreneurship hub. We have campus-led accelerators on campus where students take their ideas



and try and build a small business out of it, and people mentor them and talk to them about how they do that. That is a work-integrated learning experience. They might never think of it that way.

One of the things, as we look at student surveys and all the rest, is that sometimes we'll ask students, "Have you had a work-related experience?" They'll say, "Well, no, I didn't, because I did it at the university, so it wasn't work-related." They don't necessarily conceptualize this as being something that really prepares them for the future.

**Dr. Tim McTiernan:** It's very hard to add any more to what our colleague from U of T has said, because she has covered the gamut very, very well.

I'd like to speak to two or three things, however. First of all, everything in the HEQCO report obviously speaks to a constant tension that we have to deal with. Engaging and sustaining our relationship with employers and with placements becomes particularly challenging where we have economies in transition.

It's challenging in those instances where we have small and medium enterprises that are very good corporate citizens and very much engaged but perhaps haven't adopted technology to the degree that is helpful for our students, who are technologically sophisticated going into those. It involves, as President Lightstone said earlier, a lot of ongoing work to establish the connections, build the connections and sustain the connections.

It involves particular attention to students who have other stresses and strains. I mentioned some of those at the outset of my comments. The students who come from across the GTA spend a lot of time commuting from across the GTA to our institution.

Nevertheless, if you build the opportunities into the structure of programs, it's enabling.

As has been said, if you look at a definition of work experience that's a broad-reaching definition, it actually captures quite a lot of initiatives. We have a lot of our undergraduate students who spend time in research labs. That's built into the DNA of the institution because our faculty members, in the first several years of the institution, before we had graduate programs, had to rely on undergraduate students as lab assistants. So that pattern has developed and set, which is actually a really good advantage for our students.

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We had awards for student service and student leaders a couple of years ago; we have them annually. The first time I became involved, I was reading through the list of fairly substantial activities that students were involved in, and it captured 60 different sets of volunteer activities, some of them extremely challenging: working on poverty issues in south Oshawa; working with children with different abilities; and taking very, very strong leadership roles in the communities with not-for-profit organizations, where they were not only providing resources but providing leadership within the organizations.

It's managing the tension between faculty, student, and employer needs and capacities, and being opportun-

istic about where the opportunities come, and making sure that when they do arise, we look at ways of sustaining them as they arise.

**Ms. Marie-Lison Fougère:** One thing I'd like to add, from a ministry perspective, is that for the past few years, we've had a number of conversations, round tables, with institutions and students and so on. There is absolutely no question that experiential learning is work-integrated learning, and I realize there are definitions for all of those.

It is topical, and it's extremely important. It's also coming out in a lot of research, and experiential research, that there has to be a way of addressing the youth gap experience. You can be a graduate, but it's the transition to employment. I think that sometimes, people assume that as soon as you graduate, you go in and you become a manager. That is not the reality.

How do you actually facilitate that transition? Some of it can be done through work-integrated learning. I think it would be important to enhance the linchpin between education and employers.

Actually, the ministry has been reaching out lately to employers, working with the chambers of commerce, CME and so on to really find ways—creative ways—of facilitating that transition.

I'm very familiar with the study. It was actually a very good study—

**Ms. Peggy Sattler:** Thank you.

**Ms. Marie-Lison Fougère:** —and I mean it quite seriously. The ministry was very pleased to benefit from the study that you authored.

The last things I'd like to say—two things—are that SMAs, strategic mandate agreements, are again worth looking at, because in fact, one of the threads that runs through all of those SMAs, whether it's colleges or universities, is actually experiential learning and how we can enhance experiential learning in different forms.

There is a component of the differentiation framework which we put in place and the strategic mandate agreements that's called "jobs, innovation and economic development," and within that particular category, we have metrics. In fact, we will be working with the sector on metrics in order to report back, as this is essentially where you get at opportunities, and not only opportunities but success and outcomes for students.

Finally, as you know, the government has had a co-op tax credit for a number of years. It is certainly something that is critical.

I think that the conversation between employers, educational institutions and government is a key one, and it's very much something that needs to be triangulated. The government is definitely committed to experiential learning, work-integrated learning. You can tell by the research being done that it is critical for students then to succeed and to transition into meaningful employment earlier rather than later.

**Ms. Peggy Sattler:** You spoke about the number of programs in the institutions. I'm curious to know how many are paid. Are you able to offer paid experiential



learning opportunities to students, and to what extent are you able to offer those?

Yes, Jack?

**Dr. Jack Lightstone:** First of all, all of our universities tend to operate under the definition that co-op is paid.

**Ms. Peggy Sattler:** Yes, okay.

**Dr. Jack Lightstone:** For the rest, I think it's very spotty. Nevertheless, just because it's not paid doesn't mean that it doesn't pay to do it. I think students perceive that quite clearly, that the value added to them is high.

I know that there has been, in the public sphere, talk nationally about whether this is exploitative, and obviously, one wants to guard against exploitation of unpaid labour. But on the other hand, I would say that if it's integrated with the educational experience and is organized through the infrastructure and auspices of the university, then it's formally integrated, to one degree or another, with our actual learning. Whether it's paid or not, therefore, it's part of the educational experience that they are paying for and can afford themselves the opportunity of having.

But all co-op placements are paid, and that is the standard definition across the country, which every university in Canada has accepted.

**Ms. Peggy Sattler:** The final HEQCO report that just came out earlier showed that participation in these kinds of programs increased the fit with the program that the student had studied, and also their future career goals.

The auditor's 2012 report said that only 65% of the graduates surveyed were employed full-time in a job that was related to the skills acquired in their studies.

I wondered if you could speak about what the institutions are doing to try to move that number, or to improve that number, so that we have more students employed in jobs that relate to their program of study.

I'm also interested in knowing, within your institutions, if you have done any comparative analysis to look at students who did participate in experiential learning and if they are more likely to get employment in jobs that relate to their program, versus students who didn't.

**The Chair (Mr. Ernie Hardeman):** You have three minutes left for an answer.

**Dr. Jack Lightstone:** First of all, I think the auditor's report is working with 2009 graduates, and I think we now have the data for 2011 graduates. There, the employment rate two years out is at about 94%, or roughly 93.5%. The number of students who report that their programs of study are either partially or directly related to their employment has risen to something close to 80%, I think, if I remember—

**Ms. Peggy Sattler:** From 65% to 80% in two years?

**Dr. Jack Lightstone:** Yes.

**Ms. Peggy Sattler:** Wow.

**Dr. Jack Lightstone:** I have a feeling that either it's a function of the samples—the people who responded or didn't respond in those years—but the latest data, from my recollection, is quite different.

With respect to whether experiential learning makes a difference in terms of employment prospects, we have

pretty good data for co-op, at least. Whereas the provincial average two years out for all graduates is about 93.5%, for co-op graduates it's something like 97% or 98%, number one.

Number two, I think the national data show consistently that about 80% of co-op graduates will get a full-time job after employment with one of the companies with which they have actually had a placement, which means by definition it's relevant to their courses of study.

**Ms. Peggy Sattler:** Right.

**The Chair (Mr. Ernie Hardeman):** Okay, thank you. Thank you very much.

**Ms. Peggy Sattler:** It's over?

**The Chair (Mr. Ernie Hardeman):** That concludes your time.

For the second round, we'll have 18 minutes for each caucus. We'll start with Mr. Dong for the government.

**Mr. Han Dong:** I just want to make a quick comment. I heard quite a bit, and I learned quite a bit, about the experiential learning. It takes me back. I remember that with the first job I got after university, I started to realize that for each class that I missed, there was a cost to it. So I got a better understanding of opportunity lost and opportunity costs in the cost-benefit analysis.

I heard quite a bit of information being passed around during the first round. As the parliamentary assistant to the Minister of Training, Colleges and Universities, I understand that the ministry had made considerable achievements in answering the recommendations tabled in the 2012 AG's report, especially on university undergrad teaching qualities. Can you perhaps tell us some of the progress made and what needs to be done more, going forward?

**Ms. Marie-Lison Fougère:** Are you addressing this to institutions—

**Mr. Han Dong:** To the ministry folks.

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**Ms. Marie-Lison Fougère:** Okay. I will go back to the point that I made earlier around strategic mandate agreements and the fact that when the ministry released the differentiation policy framework in 2013 and then proceeded with negotiating strategic mandate agreements with all 45 institutions in Ontario—and I should say, this was quite a historic milestone for the ministry and for the institutions—one of the areas that the ministry focused on, and that the institutions also zeroed in on in their SMAs, was actually teaching and learning.

Within the category of teaching and learning, one of the commitments that has been made is to make sure that we actually get metrics and we get performance measures more explicitly around student satisfaction; graduation rates, which we already have but we're really sort of drilling down; retention, because that's pretty important, like a student coming in and then, do they stay from year one to year two; co-op enrolment, so this is part and parcel of the SMAs and what will need to be reported on; and then finally, with respect to SMAs, how many students are registered online, and then the delivery of



online through institutions but also through Ontario Online.

Teaching and learning again: I will go back to the Ontario Universities Online Consortium that was formed recently. The first priority that we focused on with the institutions was actually the development and the production of state-of-the-art online courses. There are a lot of myths around online: "It's good." "It's not good." The reality is that there is emerging research that online education can be very effective, but it really depends on how the programs or the courses are structured—and certainly, my colleagues from institutions know a whole lot more than I do—but also how they're delivered and how this is facilitated. This is very much part and parcel of courses that are currently being developed.

I have to say that within the space of a year and a bit more, we have under way over 240 courses or modules that are being developed by institutions—universities and colleges—that then would start being delivered through online as of fall 2015. The reason why this is very much relevant to teaching and learning is because in the prescription, so to speak, around how those courses ought to be designed, it is very much around: How do you maximize and facilitate learning and success for students? There are ways in which you can do that, and there are components that need to be part of that structure in order to succeed.

That's certainly a major initiative. The government has committed basically \$42 million over three years in order to get this. I'm very pleased to say that we have the participation of all institutions—colleges and universities—working together and working also in their respective sectors.

Maybe one final thing around progress for teaching and learning on the part of the ministry, and then I will certainly open it up for colleagues here to comment further: One of the things we need to keep in mind is that the ministry does not deliver education to students.

**Mr. Han Dong:** That's true.

**Ms. Marie-Lison Fougère:** We need to put this on the table. The ministry is not in the business of delivering education. There is oversight, funding and, obviously, accountability, but the fundamental role of universities and colleges is, in fact, to deliver education, and there is also a part on research.

When it comes to how we can advance teaching and learning, and the useful role that the ministry can play, I think that it's through a number of arrangements that we've put in place—with certain requirements so that the sector, as it advances, can actually steer in a direction that ultimately will make a difference for the system. The ministry is interested in the system and the impact, and institutions contribute to this through their initiatives.

Assessment of learning outcomes: I've talked about the learning outcomes earlier. Right now this is very much at a research stage. As I said, the higher education research council is very much involved in this. They're working with institutions because a number of institutions are looking at learning outcomes and are looking at

how to measure learning outcomes in a way that is meaningful. I think one fundamental point that I'd like to conclude with goes back to the point that Dr. Regehr made that very often it's not so much what they learn; it's basically helping students translate into tangible terms that what they've learned matters for the workplace and for employers. We hear two things from employers: technical skills, yes, to go in; but the high order skills—like critical thinking, communication, teamwork, flexibility, being able to adapt—are always on par with technical skills because that's how a worker will evolve in the workplace. This is very much part of the package that gets delivered through good teaching and learning at the undergrad level and beyond.

I don't know if my colleagues want to add something.

**Dr. Tim McTiernan:** I'll add two points. One is that we talked, for the course of this session, about teaching and learning. I think one of the fundamental shifts that has taken place in the last several years is de-emphasizing teaching and emphasizing learning as a student-centred approach to pedagogy. Active learning is becoming a stronger and stronger component of how we design and deliver courses and programs. It's reflected in what we've discussed about co-ops and other forms of experiential learning. It's reflected in what we're all doing to enable small-group discovery sessions and what we're all doing to support capstone projects where groups work together to identify and solve problems. It results in a shift in course and program delivery, as we've all talked about before.

But beyond that, there has been mention earlier in this session about the support systems that occur corollary to the classroom: peer mentoring systems; early identification of students who are perhaps struggling, if they're not submitting assignments on time and such; early intervention to help support students, particularly in the early years of study so that they don't get lost in the system; and providing alternative pathways for those students who are having a hard time grappling with course material. That can be particularly the case in some of the STEM subjects, where there is sort of an off-the-cliff immersion in math and other disciplines that sometimes can take a while to consolidate. It's taking a student-centred focus that provides both the opportunity to introduce a bit of pedagogy in and around the course delivery as well as strong support systems to support students as they engage in their program.

**Mr. Han Dong:** How much time do I have?

**The Chair (Mr. Ernie Hardeman):** You have about six minutes left.

**Mr. Han Dong:** I'll share my time with my colleague.

**Ms. Harinder Malhi:** As we all know, the ministers have all received their mandate letters. What we wanted to talk about was, how is the ministry working to improve the consistency and the availability of institutional-level and system-level outcomes and measures?

**Ms. Marie-Lison Fougère:** I'll just start very quickly. I think it very much goes back to the use of the OEN, the Ontario education number. I think it's something that is going to evolve. If you really want to take a step further



around how we can make information more readily available and more consistently available, the OEN is going to be very helpful. But there also is a challenge right now, and it is the fact that there's actually a lot of data. We have a lot of data, and in fact, institutions have a lot of data.

1400

I think that one of the issues we need to address, along with our partners from institutions, is how we can get some of those databases—or data sets, actually—to somehow speak to each, in a way, and just be able to extract, in a way that is as coherent as possible, the relevant information that we need.

Institutions have their own data, and they study the data all the time. The ministry has some data, but I think that in the ministry's mind, it will be important to start looking at what we have and to structure it in such a way, within the context of an information management strategy, that we can actually bring coherence to the data and also focus on what matters for government, because we need to be careful here. We need to sort out what really matters at the systems level and then what really matters at the institutional level, and all together, you get a complete picture.

I would say it's a work in progress. I think that, through some of the additional information that has been increasingly released, through the key performance indicators, we've come a long way, but we recognize that we need to go further.

When I say "we," I mean the ministry. This is something, obviously, that we will need to work in partnership with universities and colleges about.

I think Dr. Regehr wants to say something.

**Dr. Cheryl Regehr:** Yes. As research institutions, having data that allows us to compare ourselves with others is critically important. Let me just give a couple of examples of the way quality assurance is data-driven at universities in Ontario.

First of all, one of the things that was identified was course evaluation systems. At the University of Toronto, we have now implemented our online course evaluation system. We had 33 different ones across the system—our own system; we're a big place, with big history.

We have been able to bring these together, so now 66,000 students have access to the system. In the three years, we have evaluated 24,000 courses, and one million course evaluations have been done. That is an enormous database that we have available to us that can now allow us to cut the data in different kinds of ways, looking at different kinds of pedagogical techniques, different kinds of sizes of classroom, the nature of students—all kinds of things like that, that we can begin to look at.

We established seven core questions that are used in every one of the course evaluations, and then there's division-wide questions, and faculty members can choose their own questions. Our seven questions have been picked up by other universities across Canada; some other universities have picked up our seven questions. That will allow us to look very directly across institutions on those course evaluations.

In addition, the quality council of Ontario is, through the Council of Ontario Universities—every single program in an Ontario university is evaluated within seven years.

At our institution, when those are evaluated, we create data packs. Those data packs have in them the productivity of the faculty members and how they compare internationally with others in terms of productivity, the course evaluations, and how they compare across the institution. Other pieces of data we have are the NSSE, the student satisfaction results, and how those compare.

That data pack, which is about 50 pages long—the groups who are doing the self-study have to address all the questions and all the data in there. Then we bring in three international experts, to come in and say how we compare with the best in the world. That's another kind of a measure.

On top of that, you have the World International Rankings. When you ask our international students, "Why did you choose us?", they tell you where we sit on the World International Rankings.

That's not only for research. If you look at the Times Higher Education, University of Toronto was ranked 20th in the world for teaching in the UK Times Higher Education rankings.

There are many, many different measures that we already have, and we have a central data bank of Ontario universities where we share data around average class size, around faculty numbers, around all kinds of other data.

So there is data available. We share that data with one another, and we benchmark ourselves in that particular way.

**The Chair (Mr. Ernie Hardeman):** Thank you. Just a very quick comment.

**Mr. John Fraser:** Thank you very much for being here today. I very much appreciate your co-operation with the auditor and your being here in front of the committee.

There has been, as the member across said, a significant investment, especially in the last 10 or 12 years, in post-secondary education, not only through operating funds but through infrastructure and programs like KIP.

I want to thank you again, but I just want to emphasize that I'm very pleased that you're measuring outcomes and you're continuing to improve measuring the outcomes, because it's very important that those significant investments are able to show value, not only on the side of value for money but the value of experience.

I wish you luck. Thank you very much.

**The Chair (Mr. Ernie Hardeman):** Thank you very much, Mr. Fraser.

To the opposition side: Ms. Munro.

**Mrs. Julia Munro:** Actually, on the last go-round, I had two companion questions. There was the one we discussed the last time around, on the teaching and learning centres, but the companion question I had, some of which I think you've alluded to, is the question of refining student evaluation. It seemed to me that when



evaluations first started, it had more to do with what you wore or didn't wear, and it was a personal thing. It would seem to me that by concentrating, even through the vehicle of the teaching and learning centres, students are going to have a much more sophisticated idea about what—they are going to see themselves as having some skin in the game here. Because this is going to be useful information to them, they want to have the integrity of the question.

I just wondered if you would comment on that process that you've been able to undertake as well.

**Dr. Cheryl Regehr:** I'd be happy to comment on it from the standpoint of the University of Toronto, and then our colleagues will as well.

The core institutional questions that we have at the University of Toronto came from, first of all, trying to identify the core things we hope to achieve. Then, through a series of testing with focus groups of students, with testing the questions with students, we went through a process of evaluating whether or not this question really reflected what we hoped it would reflect.

To give an example of a question that went wrong, many of our units used to have something about the climate of the classroom, or something along that line. We were all thinking about the learning environment. If you ask students what they think they mean by that—and they think it's something very structural, like, "I didn't like the chairs in this class."

So it was very important for us to go through this process of testing and evaluating and seeing. Then we did factor analysis of the questions and went through all the statistical measures.

Just in terms of transparency, now that we have this system in place, all our course evaluations are online, and our students can see each and every course evaluation. They go in through their learning management system, which, for us, is Blackboard, and they can see what the evaluations of the classes were, and that can help them choose what courses they will take.

**Dr. Tim McTiernan:** We've used, and do use, the same instrument for all undergraduate courses, so we can compare across courses. Like the situation at U of T that Professor Regehr describes, we have a standard set of questions that address both the characteristics of the professor and the quality of the course.

I'll give you examples of the questions. With respect to the professor, the types of questions relate to matters such as availability for extra consultation, ability to communicate, teaching methods, and the overall contribution of the professor to the student's learning experience.

The nine questions regarding the quality of the course relate to the clarity of the syllabi, the relation of material to learning outcomes, the contribution to the program of study, and the overall quality of the course, among others.

That allows us to compare across courses and programs. It also provides longitudinal data, at which we can look over time.

I expect, with our new associate provost, we will be taking a look to see if it's still a relevant tool. We'll need to consider any changes in terms of what we need to do to preserve the longitudinal data chain.

1410

**Dr. Jack Lightstone:** Obviously it's well known to this committee that part of the barriers for us has been that under our collective agreement with full-time faculty, the faculty own the results of the student evaluation questionnaires. Notwithstanding that, however, we do have a committee working with our senate in order to establish a standard set of questions that would be used across the university to evaluate teaching performance, so that at least in the short run we will be able to disseminate a standard set of questions which will produce a standard dataset for the university while we work on the issue through the collective agreement and through the bargaining agent as to who will have access to this data, when and how.

**Mrs. Julia Munro:** Can you comment, either singularly or as a general comment, on if it has improved the percentage of people who engage in the survey? Has it made any difference with this kind of better approach?

**Dr. Cheryl Regehr:** Online course evaluations, in general, show lower levels of response rates than if you hand it out in class. That is a general issue that we're going to have to deal with. One of the things is that when we look at the response rates, it's highly variable. It depends on the nature of the course and the unit. For us, it goes anywhere from 72% to 35%. It's quite variable in terms of the response rates.

What we've done is that Professor Ajay Agrawal in our Rotman School of Management—an expert in "nudge," which is how you get people to do things—is now working with us. We're using his international expertise to help us with this particular challenge of trying to increase student engagement in the online course evaluations.

There's no question that what's important is making students know that it matters. Where it does it best is when the professor stands up in class and says, "It's important that you fill this out because I'm going to change my course on the basis of that." The more we can work with faculty members around those kinds of issues, the better opportunities we have.

In addition, there are well-designed techniques that are used throughout the world in business and others that are helpful in this regard and we're seeking assistance from experts to try and help us with this.

**Mrs. Julia Munro:** Thank you. My other question is, there's the issue out in the press and in the community generally that we have people without jobs and jobs without people. Does this have a message for the university community?

**Ms. Marie-Lison Fougère:** I'd like to comment first and then I will certainly invite colleagues to add.

I think this is a statement that has had a lot of currency over the past two or three years. I think it has grown into a bit of cliché, which I would argue, given when we look



at labour market outcomes of college and university graduates—and I stress university graduates. The labour market outcomes of university graduates are systematically positive, whether you look at KPI data, which is key performance indicator data, whether you link this with labour force survey data, or the National Household Survey. The reality is that when you look at past performance, up until recently labour market outcomes are very strong and university graduates and college graduates do systematically much, much better than individuals who may only have a high school diploma. That's one thing.

Then there's the issue of, is there's indeed a misalignment between education and labour market outcomes? I think it's fair to say that when you look at the evolution of the labour market, I think there's a transition issue. I think that's what I was trying to get at earlier. That transition issue, frankly, is being investigated by a lot of researchers across the world, and in the western world in particular, trying to understand what is changing around the transition for post-secondary education graduates, and is it because we now have a lot of people going to post-secondary education and we have more than before? So that's one thing.

At the same time, it's important that they go to PSE, because we realize that without post-secondary education, it's very difficult to have sound employment and, I would say, meaningful employment over a prolonged period of time. We look at resilience in the workplace. We look at resilience around unemployment and employment trends. Even in the recession, systematically, post-secondary education graduates did a lot better than others and continued to do better.

But there is a question around transition and there is a question around the extent to which what are understood to be the skills of some graduates—because it also varies a lot by programs. Right? If you have a graduate in the humanities, they do well, but it may not be as immediately visible as if you are coming out of an accredited program like engineering—or business, for that matter. So they still do well. We look at the trends, and they still do very well. It may take a little longer. I think some of the issues may have to do with how you translate what they have actually acquired in university or college into, then, something that makes sense to employers, and we've talked about experiential learning.

So I'd really like to caution people around this particular statement that has been turned into something which certainly, when we look at the data, and the ministry has been looking at a lot of data, and institutions look at their own data—doesn't carry the day.

Unfortunately, sometimes there's also a bit of a misunderstanding of what's happening in Ontario, Canada, and what is happening in the US, where graduation rates are a lot more problematic in a number of institutions. I mean, here the story is extremely positive. I was recently in the US. In some public institutions in the US, it's a real struggle around graduation rates.

So I'd like to caution that this is not—are there questions that we need to get at? Yes. How do we better

understand the needs of employers? But how we facilitate the conversation between employers and post-secondary institutions, I think, is also important.

There are also a lot of innovative programs that are now coming on stream with a lot of experiential learning.

But please be careful about that statement, because I think it has been bandied about and it's not necessarily something that is actually corroborated by the facts.

**Mrs. Julia Munro:** I thought you would have something to say about it.

**Ms. Marie-Lison Fougère:** Now you know what we think about it.

**Dr. Jack Lightstone:** I'd like to support the deputy's remarks by making some other comments.

The danger of enacting public policy based on what the deputy has called a cliché is very real. It has to do with the fact that we have to recognize that there is always going to be some misalignment in the system. Why? We cannot time the economy perfectly.

We all remember an era in Ontario and Quebec—when I was in Quebec, we were trying to increase dramatically the number of people in software engineering, computer science and computer engineering. Just as we got to the finish line, the dot-com crisis happened, and all of a sudden we had a surplus of people, and the statement is true on the downside.

I think we have to recognize that no one has been very good in predicting the economy five, six or seven years out on all job categories, because you would have to predict it five, six or seven years out to be able to time the education of graduates to it. So I think we have to accept that, in my view, trying to exactly time the economy by occupational sector is a fool's game that will likely do more harm than good. Basically, I think, coupled with the deputy's remarks, that the story told by the data just does not jibe with the cliché that is circulating in the media.

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**Dr. Tim McTiernan:** I'd just like to add two points for colour commentary.

I think none of us ever thought to educate people to be webmasters, and yet that was a category that happened upon us. What we do hope is that our students are adaptable enough to be able to take opportunities.

I think the surge—and I don't think that's too strong a word—in the last few years of students with a strong sense that as they graduate, or before they graduate, they're going to create their own work and their own jobs with their own companies is something that we do need to pay attention to, and we are supporting in a variety of entrepreneurial-type support systems, from Entrepreneurship 101 at U of T all the way through the innovation hubs in our institutions. We're all moving very strongly towards that. It's a very different sense than we would have had 10 years ago—about how we're educating for outcomes and for the classic career trajectory.

**The Chair (Mr. Ernie Hardeman):** That concludes your time.

Ms. Sattler.



**Ms. Peggy Sattler:** I'd like to address this question to the deputy. You made several references to Ontario Online and the courses that have already been developed and the delivery that's planned in the fall. OCUFA was at Queen's Park earlier this month, I think, and has raised a concern that seems to me to be quite compelling about the lack of front-line faculty representation on the board of directors, the governance structure, for Ontario Online. They make the argument that front-line faculty are the people who have the most direct experience in knowing how this is going to be implemented with students and knowing what some of the issues and challenges might be, drawing from their past work with students. I wondered if you're in a position where you could comment on why the decision was made not to include front-line faculty on the board of directors of Ontario Online.

**Ms. Marie-Lison Fougère:** I'll just speak briefly and then turn it over to the co-chair of Ontario Online, Dr. Lightstone.

First of all, I think it's fair to say that the government recognizes the importance of faculty and also recognizes that there are expert faculty in all institutions across Ontario who specialize in online learning. In fact, one of the benefits of Ontario Online, when we think about the conceptual framework of it, is that there is a role for faculty experts to play in how they will inform the design of courses. They're doing it already through the courses that are being developed, but also ultimately even with how students can be supported. This is all part of the conceptual design of Ontario Online.

Ontario Online has just been recently incorporated, and a board has been set up. I want to commend the institutions for having done a terrific job in record time in getting incorporated because this is always a very complex process.

The ministry has a transfer payment relationship with Ontario Online, with very specific requirements. When it comes to governance, the ministry deems it important to make sure that the folks who own Ontario Online and who will be responsible for delivering courses and supporting students and doing the research be in charge of the board makeup.

I will ask Dr. Lightstone to comment.

**Dr. Jack Lightstone:** I'm not quite sure what information you're getting from OCUFA or OPSEU, for that matter, because the board is comprised, under its current bylaws, as follows:

- one college president and one university president as co-chairs;
- one academic vice-president of a university;
- one academic vice-president of a college;
- one student of a university;
- one student of a college;
- one faculty member of a university, with extensive experience in online and technically assisted pedagogy;
- one faculty member from a college, with extensive experience in online pedagogy and technology-assisted learning; and
- two members of the general public.

All members have been appointed except the two members of the general public, so there is faculty representation from both the college and the university sectors.

OCUFA may mean that they didn't appoint the faculty member to the board, but it is not the case that there is no faculty representation. I think the board, as a whole, is extremely proud of the calibre of the faculty from both the college sector and the university sector that they've managed to recruit to the board because they will add tremendous value at the board from people who are in the trenches, so to speak, and who have been, in the academic trenches, leaders in the development and use of technology-assisted learning.

**Ms. Peggy Sattler:** Okay. I appreciate the response. I do know that OCUFA distinguished between the expert who may be somebody who is involved at an administrative level in terms of the development of technology-enabled learning versus the front-line faculty. But I appreciate your explanation for me as to why the governance structure was set up that way.

The other issue I want to raise, which is mentioned in the 2014 auditor's report on page 532, is that "Further progress needs to be made in evaluating the use and performance of sessional instructors." Certainly, this is something that I am hearing about constantly from students who are increasingly being taught by sessional instructors. Again, the information that I have from OCUFA says that the number of courses taught by contract faculty has almost doubled between 2000 and 2012, so we're seeing this significant proliferation of courses that are taught by sessional instructors. From the students' perspective, the student organizations that I've met with, this does have implications for the quality of the learning environment. The auditor's report had raised some issues around the kind of performance feedback that sessional instructors get, or the lack thereof, based on the student evaluations. I'm interested in hearing from the institutions, and also perhaps from the ministry, your sense of what is happening in the sector in terms of the use of sessional instructors and contract faculty and how your institutions are addressing that in order to ensure a quality learning environment for students.

**Dr. Cheryl Regehr:** Perhaps I could just begin by talking about this. At the University of Toronto, as I indicated, we have both tenure stream faculty and teaching stream faculty. In the professoriate, we have 2,300 tenure stream faculty members, and we have 525 teaching stream faculty members. In addition, we have 579 sessional instructors. In the last five years, the number of teaching stream faculty has risen by 16%, the number of sessional instructors has grown by only 5%, and 75% of our courses are taught by full-time faculty. In fact, we are having a reduction in the percentage of courses that are taught by sessional instructors, not an increase.

Our teaching stream faculty are people with PhDs. They are full-time faculty members, but they are focused on teaching as opposed to having a portion of their time used for research. We've just created a new arrangement



with our faculty association that will be giving professorial rank to our teaching stream faculty to give full credence to the wonderful contributions that they make to teaching and life at our university.

In terms of the evaluation of sessional instructors, every course at the University of Toronto is evaluated every time it's given. That is regardless of whether it's a faculty member or a sessional instructor. Sessional instructors have ranks, so sessional instructors can move up from being a sessional 1 to a sessional 2 to a sessional 3. That is based on a review of their teaching.

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**Dr. Tim McTiernan:** If I could add, from a University of Ontario Institute of Technology perspective, we offer 1,383 undergraduate courses. The percentage of those courses offered by sessional instructors is 33%. The rest of our courses are offered by tenure and tenure track and teaching faculty and term positions. The mean course offering for tenure and tenure track faculty is 3.5; the mean number of courses offered by teaching faculty is 7.4; and the mean number of courses offered by sessional faculty is 2.2.

We would categorize, if we were to disaggregate our sessional faculty, into probably three different categories. One which is quite important to us, particularly in our professional programs, is people with deep knowledge expertise in the area involved—energy, for instance, in nuclear energy. In business, one of our sessionals is a vice-president in one of our major banks. In education, we use a large number of sessional faculty to provide an experiential link, for our students, with the education system.

With the professional programs we have across all of our faculties, having that engagement with people working in the discipline, who have the academic qualifications to teach in our institution, is quite an important part of our program design.

The second category we could speak to is the academically qualified enthusiastic teacher, who may have a permanent position somewhere else but who teaches sessionally because they're up to speed in their discipline, and it's a way of engaging with students and doing knowledge transfer.

To give a personalized example, when I was in the Ministry of Research and Innovation—one of my colleagues teaches at University of Toronto in geography on regional innovation, an issue that he worked on at that time from a public policy perspective, and he was able to carry the work experience into the classroom as well.

The third category is the category that I think people talk about commonly when they talk about sessional instructors, and that is people who have no other regular permanent position but aggregate a number of sessional teaching assignments and work across institutions. We do indeed employ people with the qualifications that do fall into that work cohort, if you like.

All of our sessionals, as I mentioned earlier, get a one-day orientation from our teaching and learning centre. Evaluation of our sessional instructors is as important as

the evaluation of our regular teaching faculty and tenure and tenure track faculty.

In the collective agreement we have with sessional instructors—which is under negotiations right now—article 14 gives explicit recognition to the value of evaluation, both in terms of feedback to the sessional and to affirm the sessional's value to us as part of the academic enterprise.

**Ms. Peggy Sattler:** Okay.

**Dr. Jack Lightstone:** At Brock, 14% of our courses are given by sessionals, and that is a limitation by policy at the moment, at the university.

The obligation to have course evaluations administered in a course is not an obligation which depends on whether the instructor is sessional or a regular full-time faculty member. A course evaluation is administered in every course with five students or more—period, no matter who teaches it—for both the instructor, whether sessional or full-time, and for that matter, for all of the TAs who work in the course.

The services of the Centre for Pedagogical Innovation, that I've talked about earlier, are available to all instructors and all TAs, whether they are sessionals or regular faculty, and the encouragement to participate and make avail of those services are equally done for all sessionals and for all regular faculty.

**Mr. David Carter-Whitney:** I'll speak to the question about the ministry's role, just because I think what you're hearing unpacks to a bit of a description of how governance works in Ontario.

The ministry sees itself as the steward of post-secondary education in terms of the quality, the credential mix, the approved programs that are eligible for provincial funding and so on. But universities themselves have a governance and are autonomous around academic matters and the internal resources. So we have an interest in it, but we rely on them.

That said, the Auditor General's report points to both the importance of information—so we're a bit on a journey around trying to give students, families and institutions information that speaks to quality. We also rely on the national student satisfaction surveys and things that give information about that and a number of other measures that speak to quality. But the specific decisions around who is hired and the mix of full-time and part-time—you know, this emerging idea of different categories, like teaching only and things—we rely on the institutions to determine what's best. But we're interested in that experience as it pertains to outcomes and effectiveness of the system and the student experience.

I would note—this will be interesting to you particularly—that Academica is actually doing a study on behalf of HEQCO around this particular issue. They have done an online survey around non-full-time contract faculty to understand their experiences. So that's going to look at and provide us more information about that workforce as well. Again, we'll share it throughout the system and try to understand it. So it is something that's being looked at through HEQCO as well. We'll know more about that in the coming years.

**Ms. Peggy Sattler:** Okay, great. Thank you. My next question refers to something that was in the—

**The Chair (Mr. Ernie Hardeman):** It better be a short one.

**Ms. Peggy Sattler:** Oh, okay. It's from the 2012 report, on page 276. It refers to faculty workload and talking about some of the implications of large class sizes, with faculty members reducing one-on-one time with students outside the classroom, giving more multiple-choice tests and giving fewer writing assignments. I'm interested in hearing from the institutional perspective what you are seeing as the impacts of large class sizes. Are these some of the results that you're seeing?

**Dr. Jack Lightstone:** Perhaps I'll start, Mr. Chair. At Brock, there's no question that we have a number of large undergraduate courses, particularly in the early years. However, the university also has a policy across its faculties of taking large classes and dividing them down into smaller units for small-group learning, whether it's seminars or other forms of small-group learning. For example, our largest lecture hall seats 450, but that group would spend part of its time in small learning groups, seminars or other forms of small learning groups, in groups of about 25 or less. That is part of the integral operation of the course.

We've had a long tradition of this small-group learning and use of seminars. Obviously, at the level of the

seminars, there's a great deal of one-on-one attention, a great deal of focus on getting students to write, to present to their fellow students and have students critiquing and analyzing the work presented by their student colleagues. That's a strong tradition at Brock.

I think, when we see statistics at Brock of average undergraduate class size, what that doesn't capture is the seminar and small-group-learning structure that is policy at the university.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. I think that does conclude the time we have. I can tell by the excitement that we have more to say, but we have run out of time. So thank you very much for being here this afternoon. We really do appreciate it, not only on behalf of the committee, but even on the behalf of the Auditor General and the office for all of the co-operation that we've seen from the deputants today and their work to get us this far.

**Ms. Marie-Lison Fougère:** Thank you for a spirited discussion.

**The Chair (Mr. Ernie Hardeman):** Thank you very much for being here.

I would ask the committee members, if they wish to chat further, to do that outside the door. We do have an in camera meeting coming up right after this to talk about report writing.

*The committee continued in closed session at 1440.*









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## Legislative Assembly of Ontario

First Session, 41<sup>st</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 27 May 2015

# Journal des débats (Hansard)

Mercredi 27 mai 2015

## Standing Committee on Public Accounts

2014 Annual Report,  
Auditor General:

Ministry of Energy

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Rapport annuel 2014,  
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## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Wednesday 27 May 2015

Mercredi 27 mai 2015

*The committee met at 1231 in room 151, following a closed session.*

2014 ANNUAL REPORT,  
AUDITOR GENERAL  
MINISTRY OF ENERGY  
HYDRO ONE  
INDEPENDENT ELECTRICITY  
SYSTEM OPERATOR  
ONTARIO ENERGY BOARD

Consideration of section 3.11, smart metering initiative.

**The Chair (Mr. Ernie Hardeman):** We'll call to order the Standing Committee on Public Accounts. We're here this afternoon to consider section 3.11, smart metering initiative, of the 2014 annual report of the Auditor General.

We have here a number of people in the delegation to talk to us this afternoon. We have people here from the Ministry of Energy, Hydro One, the Independent Electricity System Operator and the Ontario Energy Board. Rather than me introducing them all, since this is the first time we've met, it's likely better for Hansard to have you introduce yourselves. So whoever is speaking, just introduce yourself to Hansard.

We will have about 20 minutes for the presentation from the delegation this afternoon. We will then have rotation of questions from the three caucuses. We'll start with the official opposition in a 20-minute rotation. We'll go to the third party and then to the government, and then we will split the remaining time left over to take us to 2:45. We'll split that time equally among the three caucuses.

With that, thank you very much for being here, and we look forward to your presentation.

**Mr. Serge Imbrogno:** Thank you, Chair. My name is Serge Imbrogno; I'm the Deputy Minister of Energy. I'm joined at the table today by Bruce Campbell, CEO of the Independent Electricity System Operator; Brian Hewson, senior manager of strategic policy at the Ontario Energy Board; Carmine Marcello, CEO of Hydro One; and Laura Cooke, senior vice-president, customer and corporate relations for Hydro One.

I appreciate the opportunity to appear today to speak about the smart grid and smart meters. We understand

that there are lessons to be learned from how smart meters were implemented in Ontario, and we are acting on all of the recommendations from the Auditor General.

Like any investment in infrastructure, with smart meters, we incurred costs up front, and we will realize the benefits over time. This investment was necessary.

A story we often tell at the ministry is that Alexander Graham Bell would not recognize a modern phone, but Thomas Edison would feel right at home with a distribution system that hadn't changed much in a hundred years. Today we have an intricate network of generation and transmission in a smart grid. Distribution has to evolve in kind. Some LDCs have moved more quickly and effectively than others. We would like to see this gap addressed to see more universal benefits for all customers.

We asked LDCs late in 2014 about the benefits of smart meters, and we received broad responses. We heard examples that smart meter data helped with power restoration after the 2013 ice storm, helped reduce customer billing disputes, improved identification of meter tampering and fed a time-of-use web portal that allows customers to view their hourly energy use.

By using smart meters to pinpoint the exact location of an outage, LDCs can direct restoration crews more efficiently. Some LDCs have told us that they often know about an outage before their customer does. With smart meter data, LDCs can identify if transformers are overloaded and plan upgrades more effectively. Diagnostic information from smart meters, such as voltage level, helps LDCs rectify consumer inquiries more efficiently, and can reduce the need to dispatch a truck. Smart meters are reducing the number of estimated bills, and enabling mobile and online tools like the Green Button, which help customers access their usage data in innovative ways.

The old model of distribution made it extremely difficult for ratepayers to access their own energy data, much less put it to good use. The potential of the smart grid to regular customers is still being realized.

Customers weigh benefits in more than just financial terms. They also consider improved service and reliability. Have we reduced the number of outages? Have we sped up restoration of service? Do people have easy access to their data and the tools to put that data to work?

On May 1 of this year, the OEB set time-of-use rates where the on-peak rate is more than twice the off-peak rate: 16.1 cents to eight cents. A greater gap in time-of-



use rates should drive more conservation and load-shifting, helping LDCs hit their targets under the new conservation and demand management framework. The OEB is planning a broader review of the regulated price plan and time-of-use pricing.

We expect to release a report in the near future by the third-party consultancy Navigant that will provide a detailed look at the potential long-term value that can be derived from the smart grid, as well as identifying the policy and planning challenges, and solutions to realize further potential.

Thank you, and I now ask Bruce Campbell to say a few words.

**Mr. Bruce Campbell:** Thank you. I'd also like to introduce to the committee Doug Thomas, who is the IESO's vice-president of information and technology services and chief information officer.

The first thing I'd like to do is to thank the committee for inviting me here today to discuss the Auditor General's report on the smart metering initiative. I'll start by outlining the IESO's role in the initiative and describing the steps the IESO has taken to address the recommendations in the Auditor General's report. Of course, I'll be happy to answer any questions you may have.

The IESO is Ontario's smart metering entity, which was a designation given to us in 2007 by the government of Ontario. As the smart metering entity, the IESO is responsible for operating the meter data management and repository, or MDM/R, as it's referred to. That is referred to throughout the Auditor General's report as the provincial data centre.

The provincial data centre receives meter data from the LDCs, processes this information according to provincial processing standards and delivers consistent billing quality data—that is, billing quantities by time-of-use period—to LDCs across the province, to enable them to bill their customers. The reliable and quality operation of the service has been well demonstrated, and is supported by an annual independent external audit of the operation of the service.

The Auditor General's report had several recommendations for the IESO. Recommendation 7 suggests that the IESO work with the ministry, OEB and distribution companies to re-evaluate options around operating the provincial data centre. In response to this recommendation, the IESO will, as required, work with the ministry and the OEB, including to encourage distribution companies' compliance with existing regulation and to avoid duplication of the functions that are the exclusive responsibility of the smart metering entity.

Also as required, the IESO will work with the ministry and distribution companies to identify and evaluate opportunities for leveraging existing investments and economies of scale of the provincial data centre in order to reduce the operating costs of distributors and costs to the ratepayers.

Recommendation 9 suggests that the IESO "work with the distribution companies to review the limitations and the billing problems associated with the provincial data

centre and the distribution companies' business processes." It also suggests that the IESO "educate the distribution companies about the proper business processes that have to be followed."

The IESO provides classroom training sessions for all distribution companies on an ongoing basis, but we have also initiated the development of interactive web-based training modules for distributors. We feel that will give them more flexibility in training opportunities for their staff. These training modules will outline the different business processes of the provincial data centre and the respective processes that have to happen on the distributors' side.

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The IESO is also in the process of providing distributors with additional information to assist them in resolving common issues and answering common questions when working with the provincial data centre.

In addition, we've developed and are now testing enhanced data retrieval capability to support the increasing volume and variety of ad hoc query and data extract requests from the provincial data centre as people increasingly recognize the value of this resource.

Recommendation 10 suggests that the IESO work with distribution companies to improve their system and data security controls in order to prevent and detect unauthorized access to smart meter data. Privacy, of course, is always a concern to us, and subsequent to the audit fieldwork, the IESO introduced new capabilities to help distribution companies manage their users' access to the provincial data centre. We're also scheduling training sessions for distributors that will include discussion about data security controls consistent with the Privacy by Design principles of the Information and Privacy Commissioner of Ontario.

In conclusion, I should also note that in addition to addressing the Auditor General's recommendations, the IESO is currently working with its stakeholders and the Information and Privacy Commissioner to develop the necessary tools and protocols to facilitate broader access to the accumulating body of smart meter data. Combined with modern analytics and consistent with the government's open data policies, the data in the provincial data centre will provide new insights for the design of conservation and demand response programs, for system planning, for policy development and for academic research, and will support innovation across the sector in Ontario.

Thanks for your attention. I think Brian Hewson is up next.

**Mr. Brian Hewson:** Good afternoon, Mr. Chair, and members of the committee. I'd just like to point out, before I start, with me are Mary Anne Aldred, our general counsel; and Lynne Anderson, our vice-president of applications. Our chair, Rosemarie Leclair, apologizes, but she is unable to be here today.

In the next minute or two, I want to provide you with a brief overview of the OEB, its role in the smart metering initiative, and the steps we are taking in response to the auditor's recommendations.



The Ontario Energy Board is the province's independent regulator for both the natural gas and electricity sectors. Our broad public interest mandate is set out in legislation, and our primary objective is to protect the interests of consumers with respect to price, quality and reliability of service while maintaining a financially viable, sustainable and efficient energy sector. We exercise our mandate largely through setting rates and licensing.

As an independent, quasi-judicial tribunal, the OEB carries out its work through rigorous, open and transparent processes based on the principles of administrative law and natural justice.

The OEB also has an important role in implementing public policy, such as the smart metering initiative. In this regard, the OEB had several roles:

- assessing the costs of distributors' smart meter implementation;
- licensing and setting the fee for the smart meter entity; and
- ensuring that time-of-use billing was implemented, once smart meters had been installed.

All of these processes involved extensive consultation with consumer representatives and stakeholders before we took action.

The audit highlighted the issue of the cost of distributors' smart meter deployments. In order to recover its costs, a distributor was required to submit an application to the OEB and have its costs scrutinized through an open hearing process. Prior to the OEB's review of distributors' costs, the government had issued regulations which provided direction on the minimum functionality for smart meters, and requirements around the recovery of those prudent costs. The government also worked with distributors to establish procurement processes and gave the Fairness Commissioner a role in ensuring that those processes were followed.

The OEB's rate review process was rigorous and extensive. To ensure consistent treatment of all distributors, the OEB held a special hearing in 2007 for the 13 distributors who were early implementers. The findings from this hearing were used to develop guidelines for assessing distributors' costs, including cost benchmarking.

The application review process and the board-issued guidelines helped to ensure that distributors' costs, which were tested through the OEB's hearing process, were compliant with board and government policy. The OEB relied on the procurement processes that had been undertaken and the Fairness Commissioner's views that were provided during hearings, which made the hearings much more efficient. To date, the OEB has completed cost reviews for over 70 distributors.

A significant OEB role in the SMI, an ongoing role, is the setting of time-of-use electricity prices. TOU prices are intended to encourage consumers to shift their electricity use from peak periods to non-peak periods in order to increase system efficiency, which benefits all consumers in the province.

As the auditor noted, the setting of prices is governed by various regulations. The OEB uses a forecast of costs and considers the regulations as it sets TOU prices every six months. That reflects the forecast of prices and provides an incentive for customers to reduce their peak demand. Independent research has shown that consumer response to TOU has had a beneficial impact on the system by reducing peak demand by about 3%.

Given the transformation occurring in the sector, as the deputy has indicated, we are undertaking a major review of TOU to ensure that we look at how consumers are better able to use TOU. We have undertaken an extensive consumer research program, and the evidence so far shows that while there is a high awareness of TOU, there is more work to be done to help customers better respond to prices. This is the focus of our review.

The last area I wanted to address was the auditor's recommendations regarding consumer understanding of bills and addressing consumer issues. The OEB believes very strongly that consumers need to be equipped with tools and information to make informed decisions about energy matters. In fact, it has been a major focus for us as we expanded our consumer website and enhanced our community outreach. We are also implementing a consumer panel to directly engage with consumers. Lastly, we have implemented extensive and detailed processes for handling consumer issues.

The last item I wanted to mention is that there were concerns raised about billing accuracy in the auditor's report. I'd like to report that the board has recently implemented mandatory standards for no more than two estimated bills in a 12-month period and billing accuracy.

Thank you. I'd be happy to take any questions.

**Mr. Carmine Marcello:** My name is Carmine Marcello. I'm CEO of Hydro One. Good afternoon. Thank you for the opportunity to speak on behalf of Hydro One.

By way of quick background, Hydro One is a transmitter and a distributor. For the purposes of today's discussions, I'm going to confine my comments to our distribution business. It spans about 75% of the province and serves 1.3 million customers, largely in rural areas and smaller municipalities.

Given our vast service territory, Ontario being 650,000 square kilometres—and we operate in a geography covering about 60% of that—many of our customers are in areas where local distribution companies aren't able to serve them. We are the folks who serve them.

The smart meter program itself: We've installed 1.2 million smart meters. Because the territory is so vast and there was not a reliable telecommunications network in place, we had to also install 10,000 regional collectors and 40,000 repeaters in order to facilitate meter communications and time-of-use rates. This allowed 1.1 million of our customers to be moved onto time-of-use rates and time-of-use pricing. This allowed them and encouraged them to shift their consumption to lower off-peak prices, allowing for more efficient use of the grid infrastructure as well as generation assets.



Smart meter data also provides important asset-utilization information about the system that was not available previously. It allows us to predict and to manage power restoration, and it helps us in managing and reducing the number of estimates our customers experienced, from 60% down to less than 5%.

Other benefits include the detection of theft of power, saving Ontarians millions of dollars each year.

I think the most critical for our customers, though, is that smart meters have allowed them to leap forward into an age of information. I often refer to the smart metering initiative as being similar to taking Ontarians from a rotary dial phone to a smart phone: Both are very effective for making a telephone call, but a smart phone and a smart meter can do so much more. The convergence of the flow of electricity with the flow of information leads us to a big data picture that will provide opportunities to create new products and services for electricity consumers, help us to realize a vision of a smart grid and to also provide safe, reliable and cost-effective power.

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In terms of our response to the AG's recommendations, we have reviewed them and accepted them wholeheartedly. Of particular note were issues associated with technical problems associated with our billing information systems. We moved to a new system. It resulted in billing issues for numerous customers. We didn't appreciate the complexity or the scale of some of those problems. It was a very dynamic situation. We focused on fixing the technical issues; however, we had lost sight of the impact of some of these issues on our customers. We had let them down, and as I have stated in the past, we have taken ownership of that with our customers, apologized and been transparent in terms of everything we've been doing to remedy the situation.

In February 2014, we initiated a customer service recovery project. Since then, we have had a new customer service team in place, a new customer service provider in place, more rigorous training, tracking and monitoring, and major improvements have resulted. Our billing system is better than it has been under the previous system, but we still have more work to be done.

A second recommendation was made with respect to smart meter procurement practices. I remind the committee that the initial procurement took place in 2005. Since that time, we have changed our procurement processes. In 2009 and 2010, we brought our processes in line with the procurement directives issued by Management Board of Cabinet.

In closing, Hydro One supports the province's move to put a smart meter in every home and business in the province of Ontario because we see the ultimate benefit for our customers now and into the future. The world is changing, and we believe changes the smart meters can enable are positive and provide a foundation for future benefits.

Thank you for your time and your attention.

**The Chair (Mr. Ernie Hardeman):** Thank you very much, and that concludes your time. With that, we'll start

with questions and comments. We'll go to the official opposition. Mr. Yakabuski.

**Mr. John Yakabuski:** Thank you very much, folks, for joining us today. There's an awful lot we're going to have to try to get into in a very short period of time. I think I'll direct the questions to Mr. Imbrogno, and you can pass them on to whoever as appropriate, unless I direct it otherwise.

I did hear Mr. Imbrogno talking about the benefits of smart meters. I accept that technology has allowed us to do some things—back-and-forth communication that we didn't have before. I take exception to Mr. Marcello's remark that the smart phone and the rotary dial phone both make phone calls. We're not sure about the smart phone when it comes to smart meters and whether they do the basic job of making that phone call, because that's where we seem to have so many of the problems with smart meters, particularly in areas like where I live, in rural Ontario.

The auditor mentioned in her report that there was no cost-benefit analysis prior to the decision to implement smart meters, and I think that has brought on a lot of the problems.

The government maintained it was a \$1-billion bill to implement the smart meter program. The auditor's numbers said \$1.9 billion, so it's almost \$2 billion. When you do the analysis of the breakdown, it would be hard to look at that and say the auditor has got something wrong here. Would you not agree that the cost of engaging an external consultant at \$160,000 is a real cost; engaging experts for technical system and legal supports during the implementation stage at \$400,000 is a real cost?

We'll get up to some of the bigger stuff. Developing, implementing and operating a smart metering entity and a provincial data centre: That would be \$160 million. Implementing smart metering: \$1.4 billion. Scrapping the conventional analog meters: \$400 million. In spite of what the minister maintains, are those not legitimate costs associated with the implementation of a program? Is the auditor off base in having these in her report? Or are they in fact true costs of the smart meter program?

**Mr. Serge Imbrogno:** What I would say to that is that we've accepted that the costs of implementing the smart meters was higher than initially forecasted, so—

**Mr. John Yakabuski:** Do you accept that it's \$1.962 billion?

**Mr. Serge Imbrogno:** I'll just walk through—

**Mr. John Yakabuski:** I don't really want a walk-through. I just want to know, do you accept it? Because I have a problem with your minister. He keeps saying he doesn't accept it.

**Mr. Serge Imbrogno:** We acknowledge—

**Mr. John Yakabuski:** Who's in charge here, you or the minister?

**Mr. Serge Imbrogno:** Well, the minister is always in charge—

**Mr. John Yakabuski:** Okay. So what do you tell me today? Can I accept it or not? I'll give you a couple of minutes.



**Mr. Serge Imbrogno:** Okay. Thank you. We acknowledge that the cost of implementing smart meters is higher than what we originally forecast in 2005—

**Mr. John Yakabuski:** I'm looking for a number.

**Mr. Serge Imbrogno:** I think that what's important to note is that when the auditor released her report, it was a snapshot, a point in time. At that time, there were a number of costs that you list that were still not through the OEB review process. About \$500 million of the \$1.4 billion—that number you mentioned—still had not gone through the final OEB review process, so at the time there was some uncertainty how the OEB would rule on those, whether they'd be accepted or not. That's one part of it.

**Mr. John Yakabuski:** So the costs were there; it just hadn't been determined how they were going to be allocated and how the OEB was going to rule on them? Yet the minister basically told us, "No, these are the total costs: \$1 billion to implement smart meters." He must have been fully aware of what was happening with that other \$500 million. He couldn't have been completely in the dark. His meter was working, right?

**Mr. Serge Imbrogno:** I don't know if the minister's meter wasn't working, but of the \$1.4 billion, \$500 million was costs that the OEB had to review. The OEB does a prudency test, so if the outcome of that was that they found some of those costs to be imprudent, then they wouldn't be recovered in the rate base.

Not all the costs at the time of the report were finalized. There were also some of the sunk costs related to the smart meters that were estimated from 2005, and those have firmed up, so what we have now—

**Mr. John Yakabuski:** Where are we now?

**Mr. Serge Imbrogno:** Where we are now is that the actual costs are more certain.

**Mr. John Yakabuski:** And?

**Mr. Serge Imbrogno:** It went through the OEB process, and the OEB approved the \$500 million.

**Mr. John Yakabuski:** I'm listening. Do the math for me. I'm not very good at math.

**Mr. Serge Imbrogno:** We believe the sunk costs related to some of those smart meters have gone the other way. We think it's more in the \$200-million range, not \$400 million.

**Mr. John Yakabuski:** The total?

**Mr. Serge Imbrogno:** The total is in the \$1.7-billion to \$1.8-billion range.

**Mr. John Yakabuski:** Oh, \$1.8 billion, so now we're down to \$100 million—

**Mr. Serge Imbrogno:** It's \$1.77 billion if you want to be exact.

**Mr. John Yakabuski:** It's \$1.77 billion? Okay, so we're just under a couple hundred million shy here. By the time we get the whole story, we're probably going to get there. But that's good.

If the minister was to report to the House tomorrow, he would actually say that the cost of implementing smart meters in the province of Ontario was \$1.77 billion? Would he do that?

**Mr. Serge Imbrogno:** Well, I don't want to speak for the minister—

**Mr. John Yakabuski:** No, I know you can't speak for the minister, but if I asked this question, you're saying this is probably the answer I'd get?

**Mr. Serge Imbrogno:** What I'm saying today is that the actual costs that have gone through the OEB process and have been confirmed are closer to \$1.77 billion. But I would also say that there are benefits that have not been updated, so I think if you want to look at the full picture, we need to look at the net benefits. We would suggest that the net benefits are also something that you need to update. That's why we're doing this Navigant study: to update the benefits side as well as the costs side.

**Mr. John Yakabuski:** You mean net benefits like—I listened to Mr. Hewson, is it?

**Interjection:** Yes.

**Mr. John Yakabuski:** In your report it said—I almost had to chuckle a little bit, and I'm not one who's given to humour, to be honest with you—"helped reduce customer billing disputes." Smart meters.

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I direct this to Mr. Marcello: I know you weren't the CEO of Hydro One prior to smart meters, but do you think there were more billing disputes before smart meters or less billing disputes before smart meters? I know what people in Ontario are telling me. I know what people in my riding are telling me, and I know what people in every riding across this province and every member here are telling me about whether there are more disputes since smart meters. I'm just wondering about that statement where you say that "helped reduce customer billing disputes." Do we have some evidence to that effect, some numbers? We're having questions in the House every day, and we have stories in the newspapers about billing disputes across the province of Ontario. I'll turn that over to you, sir.

**Mr. Carmine Marcello:** Thank you for the question. A couple of things: Obviously we've had more billing disputes recently. I would suggest that they were associated with putting in our customer information system. Within the context of that customer information system, there were many things that went wrong. We would have had examples where, from a smart meter perspective, the serial numbers were in the wrong place, as an example—a manual error in the installation. Do you have a number?

**Ms. Laura Cooke:** Yes, 1,700.

**Mr. Carmine Marcello:** There were about 1,700 of that category. When you actually look at smart meters as a source of the billing issues and complaints, I think a lot of people attributed the problems to the smart meter because of the timing, but there were other issues largely tied to our customer information system going live. So I think that the short answer is, yes, there were more billing issues, but they weren't all tied to smart meters.

**Mr. John Yakabuski:** Not all tied to smart meters, but a significant number of them. Is it all your system, or is it incorrect meter readings? Is it all your system when someone gets a bill that is \$18,000 for a 1,100-square-



foot house? Is part of it a meter reading, especially when the people go back out and read a meter and confirm it?

**Mr. Carmine Marcello:** There were a number of issues that would have been at play. In many circumstances the meter itself operated perfectly.

**Mr. John Yakabuski:** Many.

**Mr. Carmine Marcello:** They're subject to independent quality assurance by Measurement Canada, and they all have to pass that certification. The meter itself and the collection of metering data are very accurate. How that data is used to generate a bill has come into problems in certain circumstances.

As an example, if a customer had a specific problem, and we were not able to issue a bill within a month, and it carried over into the next month, now you have two months of data and problems to resolve. It was in those sorts of processes that we let our customers down. When you actually are able to access the metering data and unbundle it, I won't say that it's easy, but you're clearly able to reconcile the data, demonstrate the amount of electricity that was used and recreate an accurate bill.

**Mr. John Yakabuski:** So on the data of these—I'll call them smart meter tax machines, because that's what a lot of people in my riding refer to them as. Now, at the time of the auditor's report, and you can update me on the new numbers, Mr. Marcello, out of 4.8 million smart meters, 812,000—this is not all you, and Mr. Imbrogno, you may want to weigh in on this. But of the 4.8 million, 812,000 have not transmitted data, including 112,000 Hydro One meters, but they still have to pay, totalling \$42.1 million up to October 2018. Where are we today with actually being able to communicate with those meters?

**Mr. Serge Imbrogno:** Maybe I can start and then I'll ask Carmine to talk about the Hydro One issue. The bulk of that, over 700,000, relates to Toronto Hydro. Toronto Hydro was one of the first movers and implemented its own system. We have an agreement with Toronto Hydro that they would move into the IESO-centralized system by 2017. So they have smart meters, they're transmitting data, but not to the IESO. They're transmitting data to Toronto Hydro. That's a special situation. The smart meters are working, they're transmitting data, and we have an agreement that by 2017 they would become part of the IESO system.

For Hydro One, I think there are more technical issues related to their geography that affect 100,000 or so meters. Maybe Carmine or Laura can talk to that.

**Mr. Carmine Marcello:** In effect, we've got the vast geography, and we were talking about the ability to access meters through a communication network in a reliable fashion. There are in the order of a hundred and—

**Mr. John Yakabuski:** Twelve—

**Mr. Carmine Marcello:** No—170,000 meters that it would be cost-prohibitive to put in all of the telecom backbone, for lack of a better word, for them to talk in a fashion that would be considered reliable. For those meters, they are not on time-of-use rates. The meter itself

still collects data. The information is still there; it just can't be extracted easily.

**Mr. John Yakabuski:** So those Ontario electricity consumers, in spite of the ballyhoo around time-of-use rates and how this is going to save the environment and save our electricity system and blah, blah, blah that we get from the successive Ministers of Energy—170,000 of our customers are denied access to time-of-use rates. Is that correct?

**Mr. Carmine Marcello:** Within the Hydro One territory, 170,000 customers would be on—

**Interjection:** Two-tier.

**Mr. Carmine Marcello:** —a two-tier rate class, not time of use.

**Mr. John Yakabuski:** Right.

**Mr. Carmine Marcello:** That's correct. Of the 4.8 million customers, I can only speak to Hydro One customers.

**Mr. John Yakabuski:** I understand, but those people, even if they wanted to participate in time of use, are not allowed to because the technology does not allow them to participate.

**Mr. Carmine Marcello:** What Hydro One did was a cost-benefit analysis on what it would cost for those meters to communicate—

**Mr. John Yakabuski:** I understand; that's not my question. That's not my question. My question is, those 170,000 people, regardless of what their personal choice would be, are denied access to time-of-use pricing?

**Mr. Carmine Marcello:** Their meters could not participate as part of the time-of-use program.

**Mr. John Yakabuski:** Right. Okay. Thank you very much.

I'm going to move on a little bit to some of the other stuff in the—how much time do I have left? Two minutes? I think the smart meter is running that clock. It's defective.

I'm going to just concentrate on one thing for the time being. I might come back to it, then. We found in the auditor's report that rural customers, through their higher distribution costs and everything, but also—while we couldn't absolutely determine it, are they paying more for a smart meter than urban customers because of the additional costs of the geography and everything else? Are they paying more—we're talking about one that actually operates. Of course, these other people who can't participate in time-of-use pricing, they still pay for that smart meter even though they are no different than if they would have been on an analogue meter before; correct?

**Mr. Carmine Marcello:** The rates are determined by the Ontario Energy Board and for each local distribution company. For Hydro One, you would take what it costs us to run our business—

**Mr. John Yakabuski:** No, no, I don't need—those 170,000 people have got a smart meter, but it doesn't talk back and forth, basically, because of geography—the communications aren't there. Do they pay on their bills a smart meter charge? They're your customers. Is it billed? Are they paying for a smart meter?



**Ms. Laura Cooke:** Our smart meter costs are all wrapped into a cost to serve—

**Mr. John Yakabuski:** I understand, but their smart meter is useless.

**Mr. Carmine Marcello:** No, the meter is not useless. The meter is used in a different mode. It's used—

**Mr. John Yakabuski:** But they don't get the benefits of the technology.

**Mr. Carmine Marcello:** They get the benefit of a meter—

**Mr. John Yakabuski:** A digital readout as opposed to four dials; right.

**Mr. Carmine Marcello:** And the costs of managing all of the Hydro One smart meters are part of Hydro One's tariff and rates. So Hydro One's tariffs are different than Toronto Hydro's tariffs, and—

**Mr. John Yakabuski:** I think I have my answer. Okay, of your 1.3 million customers across Ontario, do rural people end up paying more for a smart meter than someone in a more concentrated area who is a customer of Hydro One?

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**Mr. Carmine Marcello:** Rural people pay a different distribution tariff than—

**Mr. John Yakabuski:** I understood that. Do they pay more for the smart meter that is part of that? Are they paying more for the smart meter?

**Mr. Brian Hewson:** I'm not understanding the question.

**Ms. Laura Cooke:** I think maybe we could ask the Ontario Energy Board to take the question.

**Mr. Brian Hewson:** The best answer for that is that all of Hydro One's costs are considered and then allocated to the residential rate classes, so there wouldn't be a specific increased charge to rural customers for smart meters.

**Mr. John Yakabuski:** Can you confirm that for me? Can you people confirm that to me in a chart form—written information—the breakdown of what the cost of the smart meter is in those billings?

**Mr. Serge Imbrogno:** I think we have the OEB here that's answering that question.

**Mr. John Yakabuski:** I understand that, but I'll forget that. I've got a bad memory. But if you send me all the papers, I'm going to be able to read it, or I'll find somebody who can read it.

**The Chair (Mr. Ernie Hardeman):** I just noticed, with the memory—it has gone past the two minutes.

**Mr. John Yakabuski:** Okay, thank you very much.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. We'll go to the third party: Mr. Tabuns.

**Mr. Peter Tabuns:** Thank you, Mr. Chair. I'll start my questions with Mr. Imbrogno. Do you have a sense of how many expenditures have still not gone through the OEB rate review, so they are still out there waiting to be factored into people's rates?

**Mr. Serge Imbrogno:** I don't have a sense, but I'm sure Brian, from the OEB, does.

**Mr. Brian Hewson:** I don't have an exact figure for you. There are, I believe, three to four smaller utilities that have not gone through the rate review process, and their costs are estimated to be between a few hundred thousand and maybe a million dollars in total.

**Mr. Peter Tabuns:** Okay. Do you have, on your horizon right now, other expected investments or costs related to the smart meter system?

**Mr. Serge Imbrogno:** What we have on our horizon—we have the Navigant study, that's a draft right now. Based on that study and further cost-benefit analysis, I think there could be additional rollout of smart metering information, Green Button, other initiatives that we would roll out.

We're not anticipating a major expenditure related directly to it, but to make better use of it, we think there will be things that we want to move on. But that will be following more of a cost-benefit analysis.

**Mr. Peter Tabuns:** Do you have a scale of further costs that you're looking at, at this point?

**Mr. Serge Imbrogno:** No, not a scale of further costs. It's more what the potential benefits are, and how we can tap into those benefits.

**Mr. Peter Tabuns:** Okay. What do you project as the return on investment of this 1.8 billion bucks that we have put into smart meters?

**Mr. Serge Imbrogno:** Again, I think that's hard to quantify at this point. You make that major investment—at the time, in 2006 and 2007, we had a study done that tried to quantify the benefits. They said it would be \$1.6 billion versus what they forecast at the time, a cost of \$1 billion.

We're now in 2015. We've updated the cost estimate, and we believe that that benefit of smart meters is untapped. We've tapped some of it, but there's a lot more for us to move forward with. I think when we do this Navigant study, when we release it, you'll see the quantum of the potential benefits based on the initial investment in smart meters.

**Mr. Peter Tabuns:** Navigant did the earlier study, correct?

**Mr. Serge Imbrogno:** Yes, they did.

**Mr. Peter Tabuns:** And they said we would save \$1.6 billion over 15 years, so about \$100 million a year on the system. We put in \$1.8 billion. I'll use the lower fee—no offence, Auditor General. I'm just being cautious in this. If we had actually saved roughly \$100 million a year, it would have taken 18 years to get payback on this system, correct?

**Mr. Serge Imbrogno:** Based on keeping the benefit constant and changing the cost—

**Mr. Peter Tabuns:** Assuming that the benefit—

**Mr. Serge Imbrogno:** —I don't think I would agree with you. You have to look at both sides of that equation.

**Mr. Peter Tabuns:** Are you telling me that the savings are greater than what Navigant had projected?

**Mr. Serge Imbrogno:** I'm saying that was at a time—we had a forecast of what the benefits would be, back in 2007. It's now 2015. There is a lot more potential, using



the smart meter—more innovations—and we can talk a bit more about that, how the different agencies view the smart meters and the potential benefit, and how much we've tapped and how much we can tap going forward.

**Mr. Peter Tabuns:** Okay. So what we've been told so far is that there hasn't been a reduction in the distribution companies' operating costs. In fact, most LDCs said that their operating costs went up. Is that different from your understanding of what's happened?

**Mr. Serge Imbrogno:** Well, again, on the cost side, what we're trying to say is—

**Mr. Peter Tabuns:** No, I'm talking about the savings side. A reduction in distribution companies' operating costs: That's what Navigant projected. They said it would be worth about \$400 million over the 15 years.

**Mr. Serge Imbrogno:** And those numbers haven't been updated. I'm just trying to make the point that we now have actual costs today. The benefits are still based on previous forecasts. We need to bring that up to the same point in time, and then with our other study, we're saying, what additional things can we do that will increase the benefits?

We made this major investment in smart meters. Now we need to make sure that we get all the benefits out of those smart meters.

**Mr. Peter Tabuns:** Did we see a reduction in rate-payers' energy costs of \$400 million over the 15 years?

**Mr. Serge Imbrogno:** I don't know if we have documented each and every one of those and updated them. I think that's what we are moving forward with now.

**Mr. Peter Tabuns:** It's 2015 now. It's been eight years. As this has been rolling out, the ministry has not actually been tracking whether or not the savings have existed?

**Mr. Serge Imbrogno:** We are tracking the benefits as we get—some LDCs are moving faster than others. For example, PowerStream is one of the more advanced LDCs that make full use of the smart meter information and infrastructure. Other LDCs are further behind. What we want to do is make sure everyone is using the smart meters to their full potential.

**Mr. Peter Tabuns:** So just going back, right now, we don't have a number that shows the rate of return on this investment.

**Mr. Serge Imbrogno:** Like I said, we've done a study to update the benefit side of it, and that will be released shortly.

**Mr. Peter Tabuns:** Okay. What are your plans for privacy protection and cyber security for the system, and what are the projected costs for that?

**Mr. Serge Imbrogno:** Maybe I could ask IESO or OEB to respond.

**Mr. Peter Tabuns:** I'll start with IESO. That's fine.

**Mr. Bruce Campbell:** On the privacy side, we have worked very closely with the Information and Privacy Commissioner's office to set out a privacy and security framework for the provincial data centre—I'm speaking to the data centre part of it. Of course we also, as we do

with all our facilities at the IESO, do have cyber security protection in place.

These kinds of controls are looked at each year. Specifically, in the case of the provincial data centre, it's part of an annual audit that gets done. I spoke to it briefly in my statement. We have an audit done each year, and part of the control framework that is considered in that audit is the control framework around both privacy and security.

**Mr. Peter Tabuns:** I understand from the auditor's report that, as of the time she reported, 85% of the LDCs had not done privacy impact assessments. Who is responsible for ensuring that they will actually do those privacy impact assessments? It's nice to talk to the privacy commissioner, but if even a rudimentary step hasn't been done in most cases, it strikes me that the privacy protection is not there.

**Mr. Brian Hewson:** If I could speak to that, one of the minimum functional requirements that all meters in all automated metering installation systems were required to meet was all privacy obligations under any legislation that affected the utility. As well, our licence obligations require the utilities to take steps to make sure that any of their data systems are protected and comply with, again, FIPPA or MFIPPA or whatever the appropriate legislation. It was a built-in requirement of the procurement of the meters that they have an appropriate data protection system built into them to make sure that when the data was transmitted, it was encrypted and double-encrypted appropriately to ensure that there was no way that the meter data could be lost during that process.

**Mr. Peter Tabuns:** So why is it, then, that 85% of the LDCs are reported not having done a privacy impact assessment, if it's a requirement on your part for them to proceed?

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**Mr. Brian Hewson:** Well, no, I'm sorry. I wasn't trying to suggest that it's a requirement for the utilities to undertake a privacy impact assessment. It was part of the procurement process so that when they accepted the bids by different metering services, they looked through and assessed them at that time to make sure that the privacy/data security was dealt with, and that was part of the obligation they had at that time. They didn't undertake a privacy impact assessment because they were already evaluating the system to make sure that it had good security and data encryption.

**Mr. Peter Tabuns:** Mr. Imbrogno, is it your ministry that makes sure that all the privacy protections and cyber security protections are in place?

**Mr. Serge Imbrogno:** We would have drafted the regulation that required that up front, and I think that what the OEB is saying is, in order for them to move forward, they would have had that as part of the smart meter infrastructure.

I think on cyber security, as the IESO said, there's always, on their functionality and system, the cyber security check.

**Mr. Brian Hewson:** I guess one thing to add on cyber security generally: The OEB has made it part of its



implementation of a smart grid. It's required all utilities to report to it on the steps that they've taken to adopt good cyber security practices within their utility. We're gathering that information now from utilities.

**Mr. Peter Tabuns:** You're gathering it now in 2015?

**Mr. Brian Hewson:** Well, as I said, with the smart meter implementation, it was part of the up front requirements that the meters and the entire automated metering installation system have an appropriate data protection and privacy system in place, and that that was a criterion in terms of going through the procurements which were then assessed, as I mentioned, by the Fairness Commissioner to make sure that they met all the appropriate requirements.

**Mr. Peter Tabuns:** So you would say that they all have it now? They all have top-level cyber security and privacy protection?

**Mr. Brian Hewson:** Well, I think that's why we're undertaking a review: because as was mentioned, these are things you have to regularly check on. So we are gathering information from the utilities to see what steps they've taken to increase cyber security protections and make sure that they are keeping up with all the current best practices.

**Mr. Peter Tabuns:** When was the last time you checked with them on this?

**Mr. Brian Hewson:** This is the first time that we've actually undertaken a detailed review. We started it, I think, in the fall.

**Mr. Peter Tabuns:** Just going to the IESO, I understand that you fund some pilot projects. I think it's N-Dimension that's doing a cyber security pilot project for you in the GTHA?

**Mr. Bruce Campbell:** I'm not familiar with the name.

**Mr. Peter Tabuns:** Okay. Interesting.

We have a situation where we have a central data repository with the IESO and most LDCs running their own data systems. So we've got the 79-cent charge per month to customers for the IESO system and apparently another charge for the local distribution systems. Why was this duplication allowed to develop?

**Mr. Serge Imbrogno:** I can start, and I think the IESO can explain their part of the picture. But there is no duplication. There are different charges for different purposes. There are different uses of the data. Part of the data is used for billing. Part of the information from the smart meters is used for operations of the LDCs. There are two distinct pieces of it. I'll let Bruce talk to his component of collecting the data.

**Mr. Bruce Campbell:** In our component, what we do is, the LDCs gather up the data from all the meters to collectors and then into metering computers that amass all of that data. Then it is transferred to the IESO to be processed to ensure that we get consistent province-wide quality on the quantities that are provided to LDCs for billing. We want that to be fair across the province, and that's part of what the MDM/R—the provincial data centre—ensures.

When we get that data, it goes through a number of business processes. It's validated that we're getting all

the right information. If there happens to be a glitch and we're missing, say, one interval in a day, it estimates in that interval according to defined business rules, and where there's an issue—say around a meter—then we do a report back to the LDCs so that they can investigate, figure out what the issue is with that meter data and then replace it in the MDM/R with the correct information.

We go through that whole process to make sure all of the data that goes back out to LDCs is billing-quality data. That's quite different from simply gathering that information from the meters, which may be—and is—very useful, as I understand it, to LDCs for their operational purposes. But that authority, to establish provincial standards for setting those quantities for billing data is a regulated authority to the smart meter entity that is exclusive to the IESO.

I think it's worth noting, as pointed out in the OEB response to the recommendations, that as part of the review of the distributors' smart meter-related applications, the OEB required all distributors to confirm that they had complied with the regulation and had not duplicated the activities or services of the MDM/R, the provincial data centre.

So they've been very clear that their uses of the data—the functions they put it to—are different from what the IESO's facility is doing.

**Mr. Peter Tabuns:** They may use it in a very different way from you but in fact do we not have a data centre run by you that collects essentially all the same information as the LDCs do?

**Mr. Bruce Campbell:** I think with the really important additional step that we take that data and ensure that when it goes out for billing, it's all treated and the business rules for ensuring the quality of that data are applied generally province-wide. That's one of the important advantages of doing it through the MDM/R: You can be confident in the quality of the data.

If you think about the amount of work that's got to be done to get there, we're talking about 24 hours a day, 24 billing periods a day, four million meters: It's just under 100 million data transactions a day. You want to be sure that, across the province, they're being treated similarly, that the rules for estimation, for editing and for validation are all being applied. That's the work that's being done that is well above and distinct from the work that's being done in the operational data centres that are also providing value—but a different value—to the LDCs.

**Mr. Peter Tabuns:** So effectively you're saying that you run a supervisory data centre.

**Mr. Bruce Campbell:** We take all of the data to an appropriate level of quality for billing. That doesn't happen at the LDC level.

**Mr. Peter Tabuns:** To Mr. Imbrogno: The question of smart meter fire risk has been raised by the Auditor General. There doesn't seem to be any centralized tracking of fires related to smart meters. What is your ministry doing about this?

**Mr. Serge Imbrogno:** The ESA, which is an agency of a different ministry, is the lead on safety issues.



Recently, the ESA took action when there were issues raised in Saskatchewan about certain meters. The ESA reviewed it and determined—I guess to be very cautious, they identified some smart meters that were of a particular model that were also in Ontario that could potentially cause problems. So the ESA moved quickly to have all the LDCs remove those meters. It is something that the ESA monitors. It's something that we monitor. But I think we've taken the appropriate action, and the ESA has moved quickly to remove those meters.

**Mr. Peter Tabuns:** Are you monitoring the performance of other meters to see if there in fact is potential for a problem?

**Mr. Serge Imbrogno:** The LDCs would report in if they had any issues. They would report in both to the OEB and to the ESA.

**Mr. Peter Tabuns:** And do they do a cause-of-fire assessment after every electrically related fire in their jurisdiction?

**Mr. Serge Imbrogno:** I believe the ESA would move in and determine, if there was an issue, what that issue was.

**Mr. Peter Tabuns:** How do they work with the fire marshal—

**The Chair (Mr. Ernie Hardeman):** Hold that thought for the next round. Thank you very much.

We'll move to the government side, Mr. Potts.

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**Mr. Arthur Potts:** Thank you, gentlemen and lady, for coming in today and sharing your thoughts on this.

I'm one of the new people in town. I wasn't around as we were putting in the program years ago, but from the outside looking in, as someone who's an entrepreneur in the energy and waste management field and as a consultant, we have to have a smart grid program in Ontario. A smart meter is absolutely one of the most important pieces. Getting into a smart grid, you have to have smart meters, and working with sustainable technology in the field, we were all looking at all the great opportunities.

What I'd like to do is to direct questions in a more forward-thinking manner to what some of the opportunities are to realize some of the additional ROI value that we can get from our smart meter and smart grid economy, particularly in the abilities for net metering and utilizing storage: battery storage in cars that are charged up at night, you drive to your office, plug them in; and now you're running computers in high-peak demand periods and such.

So maybe, if you would for a moment, talk about some of that forward-thinking and how critical it was to get the smart meters in place because analog meters just would not take us there.

**Mr. Serge Imbrogno:** Sure. I think I can start. We also have a Smart Grid Fund. That's \$50 million that the province put in many years ago to take advantage of the smart meters. I can have someone come up and just take you through some of what the province has done to make better use of the smart grid, enabled by the smart meters.

I think probably each of the agencies could talk in turn about the benefits to their particular agency and stakeholder group as well. Maybe I'll have one of our ministry people come up and just walk you through some of the benefits that we see from the smart meter investment—

**Mr. Arthur Potts:** Because in the long run, this goes to the long-term return on investments that may not have been able to be quantified at this date in time, but we know are on the horizon and about to realize incredible benefits to Ontario.

**Mr. Serge Imbrogno:** Absolutely. I was at a conference this morning on CanSIA talking about solar, the move towards net metering, all possible because we have the smart meter investment. There are a number of those examples, and I'll ask Michael Reid, ADM within the ministry, to come and just say a few words and give you some examples of what the ministry's doing.

**Mr. Arthur Potts:** Sure.

**Mr. Michael Reid:** I'm Michael Reid. I'm an assistant deputy minister at the Ministry of Energy in the strategic, network and agency policy division.

As the deputy mentioned, I'll just speak a little about our Smart Grid Fund because it was a fund that was set up in 2009 to help the province take advantage of some of the benefits of smart meters by looking to help sponsor innovative projects, help commercialize technology and also get the local distribution company sector directly plugged into innovation.

As the deputy mentioned, the Smart Grid Fund is a \$50-million fund that was initially announced in the 2009 budget. The fund supports projects that fall into six new innovative and emerging technology categories.

The first of that is what we call grid automation projects, and that's where you can use either a combination of software or hardware to help system operators, or local utilities in this case, to automatically control and manage electricity flows, which has important investment ramifications, where they can make sure they are making proper investments where the system most needs it.

The second area is what we call behind-the-meter solutions. That's really giving consumers—customers—more control over their power supply, as well as enabling better two-way communications between consumers and local distributors.

The third key function is data analytics. As has been mentioned here today, there's just now a huge wealth of data from smart meters. So how do we actually take advantage of that data and use it for either policy development or investment decisions?

Distributed energy storage is another emerging area, so the Smart Grid Fund has helped support, again, innovative projects in that space.

Electric vehicle integration is another one of these “where is the puck going” sort of issues. We want to make sure that we understand how electric vehicles could be integrated into the system, again without causing undue interference at the local distribution company sector.

Then, lastly, the sixth area is what we call micro-grids. That's again just looking at new and unique ways of



combining storage, generation and whatnot to help function autonomously from the main grid.

In terms of the Smart Grid Fund itself, just by way of a little bit of history, the Smart Grid Fund has had two main calls for applications. The first funding call focused on innovation with respect to the first three areas that I mentioned. In this round, there were nine projects that we ended up funding, and I can give you some specific examples in a few minutes. That includes the N-Dimension project that Mr. Tabuns referred to earlier on.

The second funding call: What the ministry did was, after the first funding call, it went back out to the local distribution company community, the vendors of smart grid technology, just to see whether or not there were areas that were missed or ways that we could improve the second round of the Smart Grid Fund.

There were two key things that we learned and integrated into the second call for funding. The first was that we expanded the range of eligible projects. The smart storage, micro-grids and whatnot were areas that we expanded to in the second round of funding.

As well, in the second round of funding, we enabled local distribution companies. Some of their costs became eligible for the Smart Grid Fund. I think that was a key change, in that we have talked a lot about the local distribution companies being key partners in terms of innovation and taking advantage of the benefits. So that was a way of allowing local distribution companies to feel a little bit more ownership and get a little bit more excited about these projects. We think that functioned very effectively.

**Mr. Arthur Potts:** I'd be very interested to hear how Hydro One is responding to these opportunities, particularly in the generation that metering opportunities—as a distribution utility, that will take away from the number of kilowatt hours you'd be billing for. But how would that fit into your long-term plans?

**Mr. Carmine Marcello:** From a smart grid perspective, what Hydro One has tried to focus on in the short term, while a lot of these technologies play out, are operational savings that we can pinpoint right now. The simplest example would be that someone's lights are out, and they call into a call centre to get your dispatch. You now have the ability to ping the meter, speak to it and geographically isolate where the problems are.

Within our service territory, Hydro One being largely rural, we have a lot of long, radial feeds. It's not meshed together like a network. A lot of utilities in urban areas—I'm not going to speak for them, but they're looking at opportunities to put in switches. You'll hear the term "self-healing grid." You can anticipate problems, because you have the information, and automatically start to switch, through software, in order to keep lights on. Two things happen in that scenario: improved reliability, and reduced costs associated with going out and finding the problem. You're no longer patrolling a feeder through three or four kilometres of bush, trying to find the problem. You can isolate it between this house and that house, and you can really pinpoint it. So you have those sorts of operational benefits that are in place.

The big data—and I think Mr. Reid touched on a concept of analytics. You now have the ability to look at the condition of your assets, the geographic spread of your customers, and start to predict failure modes. If this tree impacts this transformer, how many customers are impacted? And you start to make risk-adjusted investment decisions. On any individual case you look at, it's very hard to assess, but when you sit back and you look at a program of trimming trees on a provincial level, and you're trying to optimize the spend, you really have some new tools that allow you to do these macro-analyses. Clearly, the use of storage and renewables on a system that was built for one-way power flow is going to be further enhanced when you have the ability to layer in communications and telecommunications.

A lot of those things, I think, are in the somewhat-more-distant future, and that's why you have an innovation fund to develop those initiatives. But we're really looking at short-term operational benefits that we can get over the next one, two and three years.

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**Mr. Lou Rinaldi:** Chair, if I may: I guess my question is more of a general nature and a bit of a higher level. Smart metering is not unique to Ontario. I'm sure there are a lot of other jurisdictions not only in Canada but North America and probably the world. Do we—when I say "we" I mean Ontarians—do any sort of comparison of how well we measure against other jurisdictions or the type of services that smart meters were able to improve on? Can you give us some sense? I'm not sure who wants to tackle that.

**Mr. Michael Reid:** I think Ontario was a leader in terms of rolling out smart meters. There are certainly other jurisdictions that are following. There are other jurisdictions that have rolled out smart meters across their systems as well. So we're definitely aware and monitoring progress there.

We also try, through things like the Smart Grid Fund that I was talking about, and some of the projects we're funding—making sure we're aware of some of the best-in-class, unique technologies that are being developed as well so that we can deploy them on the Ontario system.

**Mr. Lou Rinaldi:** So we're not working in isolation, I guess is my point.

**Mr. Serge Imbrogno:** I think the OEB can provide some rigour to some of what's happening in other jurisdictions as well.

**Mr. Brian Hewson:** As part of our comprehensive review of time-of-use prices, we engaged a number of experts to look at what's going on in other jurisdictions, in terms of different price options, where they've implemented smart metering either through pilot programs or on an ongoing basis, to try to give us ideas about new types of price plans that could be put in place in Ontario to help customers take control of their electricity costs and provide greater benefits to the system, looking at things like more value-based pricing, critical peak pricing, all of which relies on the smart metering infrastructure and, in particular, the MDM/R in many ways as well.



Having that technology in place, we've been able to look at what they've done in California, what they've done in Australia, what they've been doing in the UK, as they're starting to roll out those things. But we're quite a ways ahead of many other jurisdictions.

In fact, other than one or two jurisdictions in the world, nowhere else is it that everyone is on a time-of-use-type pricing mechanism, a dynamic pricing scheme, which is actually providing customers the real opportunity to be able to make changes to the way they use the system, gain benefits from that, take advantage of that, but also provide real benefits to the electricity system in terms of reducing the peak demand and avoiding infrastructure build etc.

**Mr. Lou Rinaldi:** Thank you.

**The Chair (Mr. Ernie Hardeman):** Mr. Fraser.

**Mr. John Fraser:** Thank you, Mr. Chair. Thank you very much for being here today. I appreciate it. My first comment is, I'm glad, Mr. Marcello, that you brought up energy storage and how we're no longer a one-way—power is not flowing one way; it will flow back and forth. Over the next 30 years, that's going to change. Technology is going to change. Storage is going to change. It may not be upon us right now, but I don't believe it's that far away, in terms of how things are developing, especially in renewables.

I had a question that followed up with regard to the 170,000 meters. Just so I understand it, there's a smart meter on those locations that can't transmit because of remoteness and the connectivity. So how do you actually read those meters?

**Mr. Carmine Marcello:** It can't transmit reliably on a continuous basis. In some cases, we still download the data, and it might be downloading multiple days in batches. In some cases, we'll have to go and do a meter read. In some cases, we use technology where we will download—we're not actually reading the meter, but we're driving through the community and downloading the data via a truck. But the reality is, the ability to communicate on a continuous basis is needed for that data to get downloaded and then brought to the MDM/R, which I think Bruce spent some time explaining.

**Mr. John Fraser:** So in terms of utility for the customer of a different meter, are there any differences for the customer in terms of the costs or their ability to—

**Mr. Carmine Marcello:** No. In effect, you have a meter that you're just operating in a different mode. The data it's collecting is just being used differently.

**Mr. John Fraser:** Okay, it's being used differently. Is there a two-pricing component or is there a different pricing component for those customers?

**Mr. Carmine Marcello:** Well, for those customers, they'll be on two-tiered seasonal rates as opposed to time-of-use rates that change in a dynamic fashion.

**Mr. John Fraser:** You had mentioned that; I didn't quite understand what that meant.

I have a question with regard to time-of-use pricing. I know that coming out of the report, the Auditor General recommended a combination of time-of-use pricing; that

all the bodies—the ministry, the IESO, the OEB and the LDCs—work together to look at time-of-use pricing and how effective that is in terms of use by the consumer. I know there's work being done right now because you've just mentioned that as well, and there has been a change in pricing on May 1, where it's a 2-to-1 ratio.

I guess my question to Mr. Hewson is: Can you talk a little bit about that in terms of the rationale behind making that decision, and was that as a result of the recommendations that came out of the report?

**Mr. Brian Hewson:** Well, certainly, in moving to the 2-to-1 ratio, what the OEB was recognizing was that there have been a number of studies in other jurisdictions that have shown that there are benefits to larger ratios. In fact, when we did an analysis and had an expert do this analysis back in 2011, I believe, there was a recommendation that we increase the ratio. At that time we didn't because of the fact that we were very early on in the time-of-use period and we didn't really have a lot of data to do a lot of analysis.

I think the 2-to-1 change is part of the OEB constantly looking at customer information, customer data, system data and trying to make sure that it keeps the pricing model up to date with the realities of the system and provides a little bit more of an incentive to customers, giving them more opportunity to actually manage and save some of their electricity costs by making changes. It was a good thing to do at this time.

As I said, we are undertaking a very major review, where we've undertaken extensive consumer research, focus groups, experimentation with customers to understand different types of pricing options and information that would help them more significantly embrace dynamic pricing. So it's something that we're constantly building. We've made changes like the 2-to-1 ratio. We've made changes like that in the past, where we recognized that things need to be updated to take account of the way the system has evolved and the way consumers have changed their behaviour—because, as I was talking about, we've seen a shift where customers have reduced their peak demand, so that has an impact on the overall forecast and cost structure, and we need to take that into account. Otherwise, we'd end up with prices becoming far more compressed than would be appropriate in a time-of-use structure.

**Mr. John Fraser:** How much—

**Mr. Serge Imbrogno:** Sorry, I was just going to add to that. I think the other thing that we now have is a wealth of data and experience with time-of-use pricing. With that number of years of experience, I think it allows the OEB to do a more rigorous analysis of what the most effective pricing is. There are different ways of doing that. It could be some critical peak pricing where people could volunteer to go into a very steep differential between peak and off-peak.

**Mr. John Fraser:** I have 30 seconds left, so you won't have a chance to answer this, but I'll follow up on it later on. I know the motivator is the price. That's the major motivator, right? People recognize rewarding for



using off-peak hours. But I want to know, in the next follow-up, what else you are doing to create a level of consumer awareness, because I know there are people who are very aware and other people who are not very aware. That's my 30 seconds.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. We'll now go to the official opposition again. This time around, it will be 17 minutes for each party. Mr. Yakabuski.

**Mr. John Yakabuski:** Thank you very much, Chair. It's good to be back. For a moment there, I thought I was tuned in to the Shopping Channel and I was getting a 20-minute infomercial, but we're back live here now, folks. Here we go.

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Let me start on a couple of things. This data Mr. Tabuns had asked about—we were getting to that—you had different entities getting their own data and then somehow melding some of that information with the IESO and we come up with something that's supposed to be somewhat reasonable or congruent.

I think it was Bill 100 or whatever that mandated smart meters. Why would it not have been mandated that all data would be collected by a central agency or entity from the start? Why were they left to collect their own data and then feed it to the IESO?

**Mr. Serge Imbrogno:** I think the regulation was in place initially, when we did the smart meters, that clarified, for billing purposes, that there would be only one provider of that and that would be the IESO, but we recognized with some of the LDCs that they each needed to collect the data—but not for billing purposes—for their system needs; for doing verification of—

**Mr. John Yakabuski:** So that's the way it's always going to be, then? They're going to collect the data and send it to the IESO? There's never going to be one truly central database, then?

**Mr. Serge Imbrogno:** For billing purposes, it's the central provider that does the verification and quality control on billing. That has always been the case.

I don't know if you want to expand—OEB. If you'd want more verification of that or—

**Mr. John Yakabuski:** Well, I'm going to wait for the verification I get from that last question I got about—when I wanted that paper chart.

But I do want to correct my record. I did attribute a comment—when I said the meters helped reduce customer billing disputes after the 2013 ice storm, I attributed that to the address from the gentleman from the OEB, and in fact, sir, it was yours.

**Mr. Serge Imbrogno:** Oh, thank you.

**Mr. John Yakabuski:** So you get full credit for it now.

But let's talk about the global adjustment because that's part of the auditor's report too. My goodness, it's really wonderful that the auditor comes out every once in a while and clears the air so that we actually understand what is going on. She has come up with a figure that the global adjustment—which essentially is the difference

between the cost of the electricity and the prices guaranteed under contract to producers—that the difference amounts to the global adjustments on people's bills. In 2013, it was \$7.7 billion. Since 2006 till 2015, it's calculated to be \$50 billion. Do you agree with those figures?

**Mr. Serge Imbrogno:** The global adjustment is part of the commodity cost of electricity.

**Mr. John Yakabuski:** I understand that, but do you agree with those figures—\$50 billion?

**Mr. Serge Imbrogno:** The figure is really—people pay a set price for electricity.

**Mr. John Yakabuski:** Oh, I understand that.

**Mr. Serge Imbrogno:** Part of that is made up of the hourly energy price. Part of that is made up of—

**Mr. John Yakabuski:** I understand that.

**Mr. Serge Imbrogno:** —electricity that we pay, regulated rates, contracted rates, and that goes into the electricity price.

**Mr. John Yakabuski:** Right.

**Mr. Serge Imbrogno:** So it is part of our system. We have a \$20-billion-a-year electricity system. Part of that is transmission and distribution and part of that is the commodity cost, which has two components. So it's really like saying: What is—

**Mr. John Yakabuski:** But it didn't exist at one time.

**Mr. Serge Imbrogno:** No, it existed in the sense that we paid for electricity. We just paid for it in a different way. We had the old Ontario Hydro that used to set rates, and you paid that rate. It then went into a separate—

**Mr. John Yakabuski:** What was that rate back in 2003?

**Mr. Lou Rinaldi:** When it was frozen?

**Mr. John Yakabuski:** Excuse me. Be careful. You might be frozen there, Lou.

**Mr. Lou Rinaldi:** Chair, point of order.

**Mr. John Yakabuski:** No point of order. What was that rate?

**Mr. Lou Rinaldi:** Point of order.

**The Chair (Mr. Ernie Hardeman):** Okay. You have a point of order?

**Mr. Lou Rinaldi:** I thought we were talking about smart meters.

**Mr. John Yakabuski:** It's the auditor's report. The global adjustment is in it. Maybe you should have read the report, Lou.

**Mr. Lou Rinaldi:** I did read it.

**Mr. John Yakabuski:** Well, you should read it again.

**The Chair (Mr. Ernie Hardeman):** It's not a point of order. Every party gets their time allotted, and we would not like to use their time for your questions.

Carry on.

**Mr. John Yakabuski:** You might have missed the briefing this morning, Lou. You know how your ministers like to say, "Come to a briefing"? We had one this morning.

Okay. So back to the global—

**Mr. Lou Rinaldi:** I was here.

**Mr. John Yakabuski:** Well, maybe you were sleeping. Back to the global adjustment.

*Interjection.*



**Mr. John Yakabuski:** Back to the global adjustment, which is part of the auditor's report and was part of the briefing this morning, Lou. It didn't exist at one time. The price of electricity was 4.3 cents a kilowatt hour. Now we have a price of 16.1 cents a kilowatt hour for on-peak electricity, and the global adjustment does exist. Correct? Did I say anything wrong in that?

**Mr. Serge Imbrogno:** The 4.3 cents: I'm not going to verify that because I think that was a frozen price after restructuring.

**Mr. John Yakabuski:** Whatever it was.

**Mr. Serge Imbrogno:** But you pay a commodity cost; you're just paying for it in a different way now. Part of that commodity cost is captured in the hourly energy price. Part is captured in the global adjustment, but those together go to your—

**Mr. John Yakabuski:** Would it be correct in saying that the global adjustment, as the auditor has said—she worked in the Manitoba hydro system for 10 years. Did you know that?

**Mr. Serge Imbrogno:** I did know that, yes.

**Mr. John Yakabuski:** I think Bob Chiarelli forgot about that.

Anyway, she has said in her report that the global adjustment is essentially the difference between the price of the commodity and the amount that the government—or the IESO or the OPA at the time—has agreed to pay, through contracts, to generators. Is that essentially correct?

**Mr. Serge Imbrogno:** It's agreed to pay for contracted generation through the IESO, also regulated rates for OPG—

**Mr. John Yakabuski:** Is it essentially correct?

**Mr. Serge Imbrogno:** Essentially, yes, it is correct.

**Mr. John Yakabuski:** Thank you very much. So \$50 billion, prior to these contracts, really didn't exist. The global adjustment: The auditor has talked about it until 2015. I might have to call on Mr. Campbell and the IESO. Based on any new contracts that, as we've seen—we've seen the growth in the global adjustment from where it was a minuscule amount to \$7.7 billion in 2013. What is the projection of that global adjustment going forward to, say, 2030? What can the people expect to be paying on their bills 15 years from now? Do you have an estimate on that?

**Mr. Serge Imbrogno:** We have our long-term energy plan that has a forecast of the cost of electricity to 2032. All those numbers are available. We have schedules that are—

**Mr. John Yakabuski:** Is the expectation of what the global adjustment will cost in that?

**Mr. Serge Imbrogno:** The commodity prices are forecasted, so that is a major component of it.

**Mr. John Yakabuski:** It's a major component of it, but not everything.

**Mr. Serge Imbrogno:** All that is available on the IESO website. There are all the modules with all the details in our LTEP—they're provided.

**Mr. John Yakabuski:** Would you be so kind as to get us that information?

**Mr. Serge Imbrogno:** I can provide you with a link to where it is, if that would help.

**Mr. John Yakabuski:** Okay. That would be wonderful, because I think what people are always asking is, "I'm paying this much for my hydro today. I paid this much for my hydro three years ago. I need to have some kind of certainty as to what I'm going to pay for my hydro over the next five or 10 years." That would certainly be helpful.

Any member of the public could, if they're willing to experience the shock, go to that website and find out what the global adjustment is calculated to be?

**Mr. Serge Imbrogno:** The 2013 long-term energy plan is very clear. It has a chart that shows a residential price forecast going forward. It shows an industrial price forecast going forward. Like I said, all the details behind that are on the website as well.

**Mr. John Yakabuski:** Thank you very much. The other thing that was part of this report from the auditor was that the net loss for power sold to other jurisdictions at lower than true value, over the last few years, has been \$2.6 billion—from 2006 to 2013: \$2.6 billion. The cost of producing that power was \$2.6 billion more than the revenue Ontario received from exporting that power. We've seen the stories in the newspapers where you saw Ontario lost X number of dollars that month because they were selling power to Quebec, sometimes at negative pricing on some nights, because they had a surplus of it. Quebec was being paid to take that power, storing their hydro system up for the demand of the day, essentially taking advantage of the mistakes that Ontario made. Would that \$2.6 billion be an accurate figure?

**Mr. Serge Imbrogno:** I'm going to start and then I'm going to ask Bruce to give you more detail, because we have a different perspective. When Ontario builds its system, it builds to meet Ontario needs so we have the capacity in place to meet our peak needs. That's how we build our system. If we have extra power we would export that to gain revenues. Those would be used to offset our fixed costs.

Our view is that the export revenue that we get is offsetting the fixed costs that we have in place. Maybe I'll let Bruce give you a little bit more on that.

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**Mr. John Yakabuski:** I get the plan.

**Mr. Serge Imbrogno:** The IESO does that calculation of what the benefit is.

**Mr. John Yakabuski:** I get the plan, and why you do it. You're hoping that the system actually turns into a money-maker for you.

**Mr. Serge Imbrogno:** No, but I think it's important to understand that we don't build to export our power. We build to meet Ontario needs.

**Mr. John Yakabuski:** I understand that.

**Mr. Serge Imbrogno:** And then once that system is in place, it's economic for us then to sell our power.

**Mr. John Yakabuski:** But when we sign contracts that are guaranteed and we have a surplus of power, we also have to get rid of that power. There's no option.



**Mr. Serge Imbrogno:** There's an opportunity for us to export it. We're an integrated market. We have revenues coming in. We import and export.

**Mr. John Yakabuski:** I'd consider it an opportunity if the market was actually paying me a profit for it. I'd call that an opportunity. But if I'm selling at a loss, I think that's an opportunity for those other guys.

But would you confirm the numbers, Mr. Imbrogno? Would you confirm the number, \$2.6 billion?

**Mr. Serge Imbrogno:** Our number that we're saying, the net benefit to the Ontario system, is \$320 million from our ability to export that power. I'd like the IESO to give you a bit more detail on that number.

**Mr. John Yakabuski:** So the auditor is wrong, then?

**Mr. Serge Imbrogno:** I'm saying that our view of the fixed system is that we have costs that we incur to support the Ontario load—

**Mr. John Yakabuski:** I read the auditor's report—

**Mr. Serge Imbrogno:** And what we export, it offsets our costs.

**Mr. John Yakabuski:** —and I was led to believe that the auditor's report was correct. So the auditor's report is wrong?

**Mr. Serge Imbrogno:** I'm commenting on our view of exports and when we build capacity in Ontario and how that offsets our costs.

**Mr. John Yakabuski:** Okay. How much time have I got left? Lots of time.

**The Chair (Mr. Ernie Hardeman):** About six minutes.

**Mr. John Yakabuski:** You talked about: The plan was to see the benefits I heard in some of the conversations—you'll see a reduction in demand for on-peak electricity. That was prior to the changes to the Electricity Act, Bill 100 and the smart metering initiative and everything else. Do you recall or do you know what the forecast or the expectation at that point in time was, what this initiative and all of the other initiatives were going to lead to as a reduction in on-peak demand here across Ontario?

**Mr. Serge Imbrogno:** The studies that have been done by the OEB and the former OPA talk about a 3% reduction in peak demand.

**Mr. John Yakabuski:** That's what in fact has happened.

**Mr. Serge Imbrogno:** Yes.

**Mr. John Yakabuski:** But are you going to tell me that we went through all of this and that was the expectation? The expectation was a 3% reduction?

**Mr. Peter Tabuns:** On the residential.

**Mr. John Yakabuski:** Yes, on the residential. A 3% reduction? This was the goal?

**Mr. Serge Imbrogno:** There are two parts of putting in smart meters. One is, you are able to put time-of-use rates in, and the other is the system benefits. You have to think of both together. We didn't just go forward just to do time-of-use pricing. It's also for those other system benefits.

**Mr. John Yakabuski:** I remember Dwight Duncan talking about how much this was going to lead to conservation and reduced demand for electricity. A simple question: Was the goal 3% and are you satisfied with 3% for all we've gone through?

**Mr. Serge Imbrogno:** We think the 3% is a significant change. That's a lot of customers who have switched. What we're doing with the OEB study now is saying, "What do we need to do differently to get more people to take advantage of time-of-use rates?" I'd say that it's significant. But we can do better, and that's what we're doing.

**Mr. John Yakabuski:** So how much would we have to spend in this province to get, say, a 10% reduction? How many more billions of dollars?

**Mr. Serge Imbrogno:** It's not necessarily spending more but giving people the ability to say, "Maybe we want to sign up for critical peak pricing."

**Mr. John Yakabuski:** But you said you're happy with 3%. You're happy with 3%.

**Mr. Serge Imbrogno:** I'm saying that it's significant, the 3%. We can do better, and we believe that giving people more options on time-of-use pricing, for example, is one of the things that we can do. It doesn't cost us more; it just gives people more choice.

**Mr. John Yakabuski:** So the auditor said on this time-of-use pricing that one of the challenges—and the Environmental Commissioner also commented upon the gap between on-peak and off-peak. So some of that was addressed in the recent changes where the gap has widened. The on-peak went up by 2.1 cents per kilowatt hour, whereas the off-peak, I think, was 0.8 cents or something like that.

What is the expectation with respect to the average increase on bills as a result of that, not just through the residential but almost particularly for the small business sector that runs during the daytime? What is the expectation for the increase on their costs because of the widening of the gap between off-peak and on-peak electricity?

**Mr. Serge Imbrogno:** When the OEB released their update to the RPP, they would have provided in that news release the anticipated increase for residential and other customers. That information is out there. I don't have it handy; I don't know if you do—

**Mr. Brian Hewson:** I'm just checking.

**Mr. Serge Imbrogno:** We did release that information at the time when we updated the rates, so that would be in the public domain.

**Mr. John Yakabuski:** I guess we'd have to look for it, because I don't think somebody came over and handed it out to us.

So you're going to tell me you got the information as to how you expect a small business's bill is going to be affected by the changes in that regard?

**Mr. Serge Imbrogno:** We'll look at the OEB press release that broke down some of that information.

**Mr. John Yakabuski:** Okay. I'll be looking forward to that, because that's one of the things I hear about from



small businesses: When you make a change like that, that has a significant, more than 3%, impact on them—say, if you're a restaurant that caters to the lunch crowd.

**The Chair (Mr. Ernie Hardeman):** I would hope that information arrives in a timely manner—

**Mr. John Yakabuski:** Because I'm out of time.

**The Chair (Mr. Ernie Hardeman):** —because we've run out of that.

Next, to the third party.

**Mr. Peter Tabuns:** You had a good run, Yak.

A question for Hydro One: Have you done an analysis of the cost savings from the smart meters?

**Ms. Laura Cooke:** Sorry, I don't have that information with us today. I know that a few years ago, we looked at what the different behaviours might be in different sectors of our customer segments, whether it was farmers, residential customers or rural customers. I don't have that information with us.

**Mr. Peter Tabuns:** I would appreciate it if you could get us the information.

But just to be very clear, have you done an analysis of how much you've been able to reduce your operating costs through the implementation of the smart meter system?

**Ms. Laura Cooke:** I apologize; I understood the question to be about how customers—

**Mr. Peter Tabuns:** That's coming.

**Ms. Laura Cooke:** Right. Again, I don't have the figure with respect to the reduction in operational costs with me, as well.

**Mr. Peter Tabuns:** Okay. Have you done an assessment of the increase in operational costs coming from smart meters?

**Ms. Laura Cooke:** Carmine, do you want to speak to the finances? I don't have that information.

**Mr. Carmine Marcello:** I was just going to say, in terms of the cost of the smart meters and implementing them, that that was all part of the implementation. I think the Auditor General had documented that quite well. Our number was, I believe, \$660 million over the span of the entire program, and that was subject to the Ontario Energy Board and a prudency review.

**Mr. Peter Tabuns:** Sorry, you're talking about \$660 million for installation?

**Ms. Laura Cooke:** Program costs.

**Mr. Carmine Marcello:** The program costs, yes.

**Mr. Peter Tabuns:** So \$660 million are the increased program costs that you are going to bear as a result of the smart meters?

**Mr. Carmine Marcello:** I think there are some places where the costs would be higher and there are some places where the costs will be lower. On the costs of meter reading, it would be significantly lower. There are places where we're going to leverage the technology to do things that are new, to provide additional benefit. Those will be incremental costs. For example, we were talking about the use of the data in new and different ways. Those would be subject to individual business cases, going forward.

**Mr. Peter Tabuns:** I'm assuming, since there have been all these claims about reducing operating costs from the smart meters—I'd like to know how much of a savings Hydro One realized from its operations following the implementation of smart meters, and the increase in the cost of operations from the smart meters. I'd like to see both sides of the equation.

Have you done an assessment of how much peak demand has been reduced with your residential customers because of the implementation of smart meters?

**Mr. Carmine Marcello:** We've done some small reviews looking at the experience, very much like the examples that the OEB had demonstrated. Depending on the individual consumer, it was in the low single digits, the 2% and 3% type of range.

**Mr. Serge Imbrogno:** I think the studies that were done were by the OPA and the OEB.

**Mr. Carmine Marcello:** We participated within their studies.

**Mr. Serge Imbrogno:** Those are available. Maybe Brian can give you a bit of a sense of—

**Mr. Peter Tabuns:** Just before that, I would like to know the aggregate. Did you see in Hydro One a reduction in residential consumption at peak in the 3% area, overall?

**Mr. Carmine Marcello:** You're asking how the data was disassembled, and when you look at our system, between transmission, distribution and every individual sector, there's no way to just unbundle the data that simply. So that's why we would have participated in some broader assessments. What we seem to have been able to surmise, when you look at the data, was that for residential consumers it was in that range that the OEB was discussing.

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**Mr. Peter Tabuns:** And the range, again, was?

**Mr. Brian Hewson:** During the summer peak period, we saw on average about a 3% reduction in peak demand. In the winter, it was somewhere around a 1.8% to 2% reduction in peak demand. That study involved Hydro One, all of the other large distributors and quite a large number of smaller distributors spread out across the province.

**Mr. Peter Tabuns:** Can we ask you to table that study for us?

**Mr. Brian Hewson:** It's on our website.

**Mr. Peter Tabuns:** Could you give the Clerk the exact location? I've gone through some websites; some are harder to follow through than others. So if you could give the committee the exact link, we would appreciate that.

**Mr. Brian Hewson:** Yes.

**Mr. Peter Tabuns:** Going to the Ministry of Energy: I've been asking questions about cyber vulnerability, in part because last fall in the UK they were reviewing their smart meter rollout. KPMG talked about the finding of major cyber vulnerability in Spain. The UK had had problems a few years ago with people essentially faking a hydro card that people were putting into their meters so



they could get free power. So there are substantial cyber vulnerability issues.

Have you looked at the experience in Spain, and do you have a sense as to whether or not their finding of vulnerability is relevant here in Ontario?

**Mr. Serge Imbrogno:** I think the OEB has said that they're now reviewing the cyber issue. The IESO has their own cyber security, and when we did implement the smart meters initially, we made sure that they had the protection in place.

**Mr. Peter Tabuns:** So we're safe from any of the vulnerabilities that were found with the Spanish smart meters?

**Mr. Serge Imbrogno:** Well, I would think that in the OEB review they would look at what's happening in other jurisdictions and how that might impact Ontario.

**Mr. Peter Tabuns:** And when will that review be available?

**Mr. Brian Hewson:** As I said earlier, we are gathering the information from the utilities. The exercise, to be clear, is focused on making sure that we understand what utilities in Ontario are doing to make sure that they are adopting best practices for dealing with cyber security. It's not an investigation to try to determine how other jurisdictions have dealt with cyber security; it's focused to make sure that the utilities in Ontario are taking all the appropriate steps, and we have gotten responses back from most of them. I'm not exactly certain of the timing.

**Mr. Peter Tabuns:** You've done the answer—and I'll go back to you, Mr. Imbrogno. Apparently, we're not looking at the experience in other countries.

**Mr. Brian Hewson:** I apologize. I just wanted to make clear that the intent of the study is to make sure that we understand what's going on in Ontario and make sure that utilities are doing their best practices. Of course, once we get the results, we'll be looking at what the practices are in other jurisdictions, and through that we'll be able to learn what we might need to do with the utilities in Ontario to basically ensure that they're all applying the best practices.

**Mr. Peter Tabuns:** Is there a reason you can't do them both at the same time? Generally speaking, if I think there's a vulnerability or a potential liability for my political party, I look at what's happening with others at the same time as I try to get a sense of what my party is doing.

**Mr. Brian Hewson:** As I said, what we've asked the utilities in Ontario to do is to report how they have adopted and adapted to the best practices in cyber security. We provided them a link, information that they were expected to look at in terms of what national organizations have required for cyber security. The IESO was involved in helping us design this survey, so that we were able to be well informed in terms of getting the right questions, getting the right information from the utilities. So the focus was on making sure that the utilities were thinking about cyber security and adopting best practices in cyber security.

**Mr. Peter Tabuns:** I actually was able to find this on your website, so there are some things that are findable:

Cyber-security Questionnaire for Ontario Electricity Distributors. I gather that you first sent it out in July of last year, and what you had to say here is that there was a very poor response. I note that they were supposed to respond earlier this year. Has everyone responded to this questionnaire?

**Mr. Brian Hewson:** I'm sorry; I'm not prepared with that piece of information.

**Mr. Peter Tabuns:** Okay.

**Mr. Brian Hewson:** It wasn't part of our thinking, in terms of smart meters specifically, to report on that.

**Mr. Peter Tabuns:** Do we not now have a code in place that requires a certain level of audit and analysis of cyber security systems for all the LDCs?

**Mr. Brian Hewson:** We're undertaking this survey to gather information so we understand what we should put in place. Based on the information we received from the utilities early on, it was clear that distributors in the province have taken very significant steps to ensure that their systems are protected and meeting best practices for cyber security. We haven't decided we're going to create new codes or rules when there is already guidance and other requirements out there that utilities are following.

**Mr. Peter Tabuns:** I suggest to you that managements change, and that in one year or one decade you'll have very alert, sharp, capable management that will pay attention to these things. Managements change. You get one that may not think that cyber security is that important—generally speaking, that's why we have regulations and rules.

Are you going to be bringing forward regulations and rules to ensure that there is proper cyber security and privacy protection in this sector?

**Mr. Serge Imbrogno:** What we're trying to say is that when we put in place the regulations for the smart meters, those codes and regulations were in place and those standards were in place. The OEB is gathering that information to see if we need to change. I think that coming out of that OEB review there could be additional requirements, or they could find that they've taken all the appropriate steps, so—

**Mr. Peter Tabuns:** Well, one of the questions to the LDCs was, "Do you use cyber-attack detection and reporting capabilities?" which says to me that this is an optional thing. Obviously, if it's in a regulation they should have it, should they not?

**Mr. Serge Imbrogno:** The way the data is transmitted, as Brian was saying initially, is encrypted. That's part of that security—"Is that enough? Do we need to do more?"—and I think that study that the OEB is undertaking will hopefully provide us with information, so that either we change or we say we're satisfied.

**Mr. Peter Tabuns:** Can you tell us when you expect that data, the results of that study, to be available?

**Mr. Brian Hewson:** I believe we've had all the responses in and that we are in the process of analyzing the data right now. I would hope that it would be done soon, but I can't tell you exactly what that date is.



**Mr. Peter Tabuns:** Okay. Just a quick technical question: Can these smart meters function as net meters as well?

**Mr. Serge Imbrogno:** We are working with the industry stakeholders to determine what infrastructure we need in place to move from where we are now with the microFIT program, if we want to move to self-consumption net metering. That's one of the things we'll be looking at: whether the smart meter is enough or if we need to augment it with another meter. Those are questions that we need to look at going forward.

**Mr. Peter Tabuns:** Are you saying the existing meters can't function as net meters?

**Mr. Serge Imbrogno:** I'm saying we're looking at that. That's one of the important questions we'll need to address, because it is a different type of system, where you need to self-consume. Whether you need two meters for that particular purpose, that's something we're exploring with the industry and other stakeholders.

**Mr. Peter Tabuns:** At this point, I'm going to assume, then, from your response that we don't know if the smart meters can function as net meters.

**Mr. Serge Imbrogno:** I think it depends how you roll out the net metering. So I don't want to give you an answer that, yes, for sure they can do it. It may be different, depending on what net metering program you put in place and how you do it.

**Mr. Peter Tabuns:** I ask because if we're going to have two meters, it's going to be a lot more expensive. So I look forward to the outcome of that review. It's pretty pricey to have two meters.

A question for the IESO: How has the smart meter initiative changed our electricity system's vulnerability to cyber-attack?

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**Mr. Bruce Campbell:** Apart from the fact that it's obviously one more facility, I don't think it has increased our vulnerability at all. We have good cyber-protection in place. We have good privacy protection in place.

As I mentioned earlier, the control framework that we have in place was reviewed with the Information and Privacy Commissioner. I'll just read what she had to say at that time: "The IESO's smart metering entity control framework demonstrates a commitment to the standard of Privacy by Design by taking a systemic and principled approach to embedding privacy within its controls."

**Mr. Peter Tabuns:** Bruce, I appreciate what you've just read to me, but I'm not thinking just of what you control at the IESO. There are all kinds of LDCs that are plugged into the system. The Auditor General noted that there were people who had access in the LDCs whose passwords didn't get changed on a prompt basis. I'm talking about the system as a whole. You've got four million hackable little computers out there keeping track of power consumption. How has that changed your assessment of the vulnerability of our electricity system?

**Mr. Bruce Campbell:** As I say, we take a look at the risk that that presents, at least on our side of the business, and we believe we're mitigating that risk to an appropriate level.

**Mr. Peter Tabuns:** Who's looking out for the whole system? I understand the IESO, but the LDCs are another component.

**Mr. Bruce Campbell:** We're all looking at this jointly. In response to the Auditor General's report, we have increased our level of conversation with the LDCs about explaining the need for controls. We have put more emphasis on and we've changed our business processes around permissions for LDCs and their agents to have access to smart meter data in the provincial data repository, so we've moved on that recommendation. For instance, instead of simply taking the fact that it's the obligation of the LDC to report a change in access control to us, we actually query them manually to make sure: "Are there any changes that have happened? What's the control that's now in place?" So we have, as I say, increased our conversations, discussions and our business processes with the LDCs to mitigate that risk.

**Mr. Peter Tabuns:** I appreciate that. Is the question of ensuring that the LDC security standards are consistent with yours something that's going to be part of regulation in the future, so that we don't have to depend, necessarily, on the management's feeling about security at any given time?

**Mr. Bruce Campbell:** I can't speak to whether it's going to be part of specific regulation. I can tell you that it is part of the framework of our relationship with the LDCs to regularly review and, where necessary, improve that. It's part of every business these days. Every business has a responsibility to mitigate its exposure to cyber-risks.

**The Chair (Mr. Ernie Hardeman):** Thank you very much for that.

We'll now go to the government. Mr. Fraser.

**Mr. John Fraser:** Thank you very much, Mr. Chair. I do want to say, before I start my questioning—I beg your indulgence for a second—that my colleague Mr. Rinaldi was here this morning. The point of order that I was raising—in deference; I understand we don't usually have points of order here—is that it's not part of how we do things around here to comment that a member is absent. I wanted to point that out. He was here this morning. I thank you for your indulgence for that.

I hope our questions meet the approval of our colleague across the way. He certainly helped me out in my line of questioning coming up.

I do want to ask a question with regard to the last point I made in terms of education, but more importantly, right now I want to talk about the long-term energy program. Deputy, this is probably to you and anybody else who wants to answer this. I just want a bit of background on the long-term energy program. When was our first long-term energy program?

**Mr. Serge Imbrogno:** In 2010, the Ministry of Energy put forward its first long-term energy plan, and then in 2013 we updated the long-term energy plan. We've been doing it on a three-year cycle, so we may do it in 2016 or early 2017, which would be the next update to the long-term energy plan.



**Mr. John Fraser:** That was the first long-term energy plan that we've had in this province that was a public document?

**Mr. Serge Imbrogno:** It was a public document. There were consultations that took place. It was posted where people could provide input. So, yes, that was a public document.

**Mr. John Fraser:** My point in raising this, for the sake of the committee—and I'm sure that many of us understand this—is that the information around energy in terms of things like pricing and anticipated costs was made clear and apparent to the public. Many of you have cited websites where the information that the opposition has requested is available, and I think that's a very good thing.

The second question that I have to ask—we've talked about this previously with regard to the Auditor General's report, and my colleague from Renfrew-Nipissing brought it up—is in relation to the \$2.6 billion over 10 years, which was the cost of having to, for lack of another term, dump electricity to markets. We didn't recoup the cost we had of generating that.

I see that number there, but there are numbers that I haven't seen there that would help me understand that. It's about \$350 million or \$360 million annually. I guess it varies from year to year. I know it's a challenge because I think we operate in two peaks here. I'm not an engineer, so balancing the system is not an easy thing for me to understand.

My question is, how much electricity do we export annually, roughly? The second question is, in terms of energy that is produced and sold domestically and internationally or interprovincially—I should say outside of our jurisdiction—what's the value of that? Those two numbers would be very helpful for me in understanding. Take it down to an annual number.

**Mr. Serge Imbrogno:** I think I'll let the IESO's Bruce Campbell give you that and a bit of context, too, about how our markets are interconnected and how it relates to the exports that I was talking about previously.

**Mr. Bruce Campbell:** We are interconnected with a number of jurisdictions around us—Quebec, New York, Michigan—and we do substantial trade across those jurisdictions. That's a very good thing for the reliability of the system. If you have a small, isolated system and something happens, you don't have much resilience. What those interconnections give you is a great deal of resilience. If we have a generator that has to trip offline, for instance, the first and immediate thing that happens, almost instantaneously without any operator action, is we get an inrush of power from surrounding jurisdictions, and that holds our system together. So to have strong interconnections, particularly from the viewpoint of a system operator, is a very good thing.

When you look at it on the market side, if I could go back to some of the earlier discussion, at the huge risk of using analogies, which sometimes fall flat on their face, I'm going to try a little analogy here. You have a house on which you pay a mortgage. You're paying that mort-

gage night and day, no matter what. When you go away for the weekend, there is the opportunity for someone to use a room in your house and pay you some money for the use of that house. You're not using it. You own it, and you're paying the mortgage all the time. When you go away, there's the opportunity for someone to use the room, to use your house for the weekend.

Say your mortgage cost for that weekend was \$300, but somebody was willing to pay you \$25 to use all or part of that house for the weekend. Are you better off financially by saying, "No, I don't want to do that. I built the house for my purposes"? Do I just want to keep it like that, or do I want to actually put \$25 in my pocket, and that will offset some of the costs that I'm paying for the house?

The analogy I'm making is that the power system market is exactly like that. We build facilities in Ontario to meet Ontario needs. We don't build for export; we build to meet Ontario needs. We have this asset sitting there, and you can decide. If someone is prepared to pay me \$20—and that's more than my costs of production—to use that asset at times when I don't need it on the system, then that's \$20 that comes into Ontario that wasn't there before.

Does that necessarily cover all of the costs of—if you simply took the total costs and divided them by the energy production, does that number cover all of those costs? No. But it is still saving money for Ontario consumers.

1430

In Ontario what happens is, we have a peak in the summer and we have a smaller peak in the winter. We've got almost all of our generation running, plus a reserve margin which is adequate for the summer; we're not excessive, but we're adequate. But then what happens when it cools off in the fall and all those machines don't need to run for Ontario purposes but you still have to pay the cost of them? It's still the mortgage. As the deputy was saying earlier, we've always paid these costs one way or the other. What happens in Ontario is those plants can run where they can more than cover their operating costs and bring some extra money into Ontario as a result of those assets being there. That figure for 2014, if I recall correctly, is \$320 million.

The key to this is, we're building for Ontario and we take advantage of the investment that we've made when we have the opportunity to do so.

**Mr. John Fraser:** I understand that, and I appreciate that better understanding of it.

I was just looking for some numbers. I'm talking about the market in terms of how much retail electricity do we sell? Do we export? How much do we produce domestically?

**Mr. Bruce Campbell:** We produce domestically about 140 terawatt hours, and I think—

**Mr. John Fraser:** Can you convert that into dollars?

**Mr. Bruce Campbell:** Can I have the indulgence of the committee? I'm going to give a number but then I'm going to go right back to the office and check, and if it's



wrong I'm going to write you a little note saying it was wrong.

**Mr. John Fraser:** Just write your note, that's fine.

**Mr. Bruce Campbell:** Because I think we're around 14 terawatt hours of energy.

**Mr. John Fraser:** That would be helpful for me to get that information. Or if there is a place where I can find it, I do want to follow up.

**Interjection:** You've only got one more minute.

**Mr. John Fraser:** We only have one more minute?

*Interjection.*

**Mr. John Fraser:** No, I've got time.

**The Chair (Mr. Ernie Hardeman):** I think you've got seven minutes left.

**Mr. John Fraser:** In terms of our capacity, obviously we built with a certain planned capacity in mind. You were speaking about energy security in terms of interconnectivity, and that's important, but I want to go back to energy security and ask a question with regard to having your own generation and having some reliability in the system so that you don't have to import power at a higher price, because that's the risk that's on that side.

What I'm driving at with those numbers and why I'd like to get them—and I appreciate that's money that is coming into the system, but it's also money that mitigates a risk—is to understand how that relates to that risk of, "If we don't have this, then this is what our costs are going to be at peak."

**Mr. Bruce Campbell:** If you don't have it, then you have a choice: You can either not supply, which obviously doesn't work, or you import in order to supply, and if you look at the markets around us, at peak times that would be a considerably more expensive proposition than what we've invested in our own generation.

**Mr. Serge Imbrogno:** Bruce, maybe just another part of that is that there are certain requirements that, because Ontario is interconnected, we need to plan and meet our peak load and a certain reserve above that, so everyone needs to make sure that they contribute to that. Maybe, Bruce, you can talk a bit about our system requirement and what we need to build in Ontario to satisfy Ontario needs and our international requirements.

**Mr. Bruce Campbell:** Yes. The obligation on every system is to ensure that it has plans in place to meet that load reliably, and in doing that, you're not allowed to do what's called lean on the ties. You can't take unpaid account of external jurisdictions. You can, in some places, contract outside your jurisdiction to get a firm supply, but that's the kind of situation I talked to you about that's very expensive. The reliability standard for long-term planning—18% to 20% over the capacity that you expect—seems to produce a level of reliability that people find acceptable by the time you actually get out there.

**Mr. John Fraser:** Is that a common planning tool? Is that common across utilities?

**Mr. Bruce Campbell:** That is a very common benchmark, yes.

**Mr. John Fraser:** One last thing, and then I know my colleague here has a question: You spoke about two peaks, a high peak and lower peak in the winter. Inside the industry, in terms of utilities—I know it is up here, once you get past 52—how does it change as you go south, in terms of planning?

**Mr. Bruce Campbell:** Well, most of the states now, at least the states on the eastern interconnection, would be summer peaking like us. Quebec is still winter peaking.

Just to go back to something that Serge mentioned, these planning things: Yes, that's a common understanding of what it makes sense to plan for, but there is a positive obligation. Because you're interconnected, the rules, the NERC standards require that we plan and demonstrate to our neighbours that we have enough arrangements in Ontario to meet those kinds of reliability requirements. So it's a very rigid requirement.

**The Chair (Mr. Ernie Hardeman):** Mr. Potts.

**Mr. Arthur Potts:** Thank you. At the risk of getting a groan, because I've used this analogy here before, my godfather, Larratt Higgins, was a chief forecaster for Hydro through the 1960s and 1970s. When he talked about the forecast for hydro growth, just like John A. Macdonald's gin, a little bit too much was just about the right amount. I wanted to get that on the record in recognition of my godfather.

I want to go back to the net metering questions. Particularly in rural Ontario in my role as PA, the opportunities that we have with the global adjustment portion that's on those bills and the opportunities for them to reduce their hydro bills through time-of-use and other things—my guess is that much of the reduction will come through net metering and opportunities in generation in a cost-effective, sustainable way in rural Ontario to help get those bills down. That's a major focus for us.

Can you maybe comment on the programs we may be looking at to help rural Ontario reduce its hydro bills, particularly in the global adjustment part of it, which is such a large segment of a rural Ontario bill?

**Mr. Serge Imbrogno:** I'll start, and maybe others can jump in.

There are a couple of things that the government has indicated that it wants to move forward on. One of the things is helping rural customers move off electricity and hook up to natural gas. That would be a major benefit for rural customers who currently have high electricity bills for winter heating. MEDI has a program. It's a \$200-million fund through Infrastructure Ontario to provide financing, and there's a \$30-million grant program that MEDI will be rolling out. They'll be consulting with municipalities and other stakeholders. That's an important initiative that will help rural Ontario move away from winter peaking electricity.

The Net Metering Program is again something that we'll fully roll out. Right now, people are eligible for microFIT, where you can put solar panels on your house and you receive a price for that power that's fed directly into the grid. You can use that revenue to offset your

costs, which can include your electricity costs. But we are moving away from that system in 2017-18 to a system where it would be more self-consumption. So rather than you selling the power directly to the grid, you would self-consume. That would save you money as well and that would be more of a conservation-type initiative. Again, that is being rolled out in consultation with stakeholders, with CanSIA, with municipalities and other individuals.

The other major thing that the government has done is their Conservation First initiatives. Over the next six years, we'll be moving forward with our CDM framework. We have a new CDM framework where we've empowered LDCs to develop more of their own programs. We think that by doing that, it allows them to address their specific customer needs. Rural Ontario customers will have different needs than southern Ontario customers, and that allows their local LDCs to provide those conservation-type programs. Those are starting to roll out as well.

Those are some of the things that the government is doing directly and through its agencies to support reduced electricity bills and more conservation. I don't know if—

**Mr. Arthur Potts:** And Hydro One, as an LDC, would be totally on board with that and rolling out, through customer service opportunities, opportunities to—

**Mr. Carmine Marcello:** Absolutely. I think that if you look at the success of the microFIT programs that have gone before us, a lot of them are largely rural Ontario initiatives connected to our distribution system. We've learned a lot in terms of integrating distributed

solar. We have pilot storage products being tested as well.

**1440**

I do think the next iteration of this will be—and we've all seen it in the media, when we're talking about the new Tesla products. I think there is a way to go until those price points come down, but when you start to see the ability to integrate local, renewable and storage in a cost-effective manner with net metering, I think that will really transform the landscape. Right now, we're spending a lot of time and effort in terms of very targeted conservation and demand management programs for our customers.

**The Chair (Mr. Ernie Hardeman):** I think that's a wonderful place to end it, and thank you very much for your presentation. That concludes all the time. Thank you for coming in this afternoon and sharing with us—

**Mr. Bruce Campbell:** Mr. Chair, if I could—because I have it right in front of me, and I like to get rid of undertakings as soon as I can, after I take them—I was right on one number and wrong on one number. Ontario market demand: 139.8 terawatt hours. Exports in 2014: 19.1 terawatt hours.

**The Chair (Mr. Ernie Hardeman):** I'm sure batting five hundred is not that bad.

**Mr. Bruce Campbell:** It's not nearly good enough in our business, I'll tell you.

**The Chair (Mr. Ernie Hardeman):** Thank you very much.

*Interjections.*

**The Chair (Mr. Ernie Hardeman):** If we could, we're going to go in camera to discuss the report writing.

*The committee continued in closed session at 1445.*



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## Legislative Assembly of Ontario

First Session, 41<sup>st</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 16 September 2015

# Journal des débats (Hansard)

Mercredi 16 septembre 2015

### Standing Committee on Public Accounts

2014 Annual Report,  
Auditor General:

Ministry of Health  
and Long-Term Care

### Comité permanent des comptes publics

Rapport annuel 2014,  
vérificateur général :

Ministère de la Santé et des Soins  
de longue durée



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PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Wednesday 16 September 2015

Mercredi 16 septembre 2015

*The committee met at 1233 in room 151, following a closed session.*

2014 ANNUAL REPORT,  
AUDITOR GENERAL  
MINISTRY OF HEALTH  
AND LONG-TERM CARE

Consideration of section 4.01, cancer screening programs.

**The Chair (Mr. Ernie Hardeman):** Thank you all very much. I thank everyone for being here. The committee is meeting this afternoon for consideration of section 4.01, cancer screening programs, of the 2014 annual report of the Auditor General.

We have with us this afternoon, from the Ministry of Health and Long-Term Care, Bob Bell, the deputy minister. Welcome. And from Cancer Care Ontario, we have Michael Sherar, president and chief executive officer; Linda Rabeneck, vice-president of prevention and cancer control; and Elham Roushani, vice-president and chief financial officer. Thank you all very much for being here to help us with this review.

We will have a 20-minute session of your presentation to talk about the report and your comments on it. Then we will divide the time equally between the three caucuses for questions about your presentation to help us along. The questions will start with the third party this afternoon.

With that, the floor is yours. If you would introduce yourselves as you start speaking for Hansard so we'll know who's who.

**Dr. Bob Bell:** Thank you, Chair. My name is Bob Bell. I'm the Deputy Minister of Health for the Ministry of Health and Long-Term Care. We're delighted to have the opportunity to address the standing committee and thank the Auditor General of Ontario for her report and her recommendations to strengthen cancer screening programs in Ontario.

I'd like to introduce my colleagues. Dr. Michael Sherar is president and chief executive officer of Cancer Care Ontario. In addition to this role, Dr. Sherar is also a professor of medical biophysics at the University of Toronto and a senior scientist at the Ontario Cancer Institute at Princess Margaret hospital. Dr. Linda Rabeneck, vice-president, prevention and cancer control: Dr. Rabeneck oversees CCO's prevention screening,

research and surveillance programs and is a professor at the University of Toronto, a senior scientist at the Institute for Clinical Evaluative Sciences in Toronto, and an esteemed international expert on the issue of integrated cancer screening programs. Thanks to both Dr. Sherar and Dr. Rabeneck for their leadership and commitment to continually improving the quality of integrated, organized cancer screening in this province.

With respect to the audit, the Auditor General's report laid out five key recommendations, with an emphasis on the quality and accessibility of integrated cancer screening services in Ontario. Dr. Rabeneck, when I'm finished, will actually respond to the recommendations.

Together, the ministry and CCO have made significant progress, we feel, in addressing each of the five recommendations and we remain committed to collaboration and ensuring that Ontarians have access to high-quality cancer screening services.

As you know, cancer is the second leading cause of death in Canada. In Ontario, 45% of men and 41% of women will develop cancer in their lifetimes. The number of new cancer cases is projected to rise by 40% in the next 15 years. Breast, cervical and colorectal cancer, the subjects of our integrated provincial cancer screening program, account for nearly 30% of newly diagnosed cases.

Early detection of these cancers through—and this is important—organized population-based screening can save lives and reduce the burden on individuals in the health care system. I can say for sure, as a cancer surgeon who practised in this province for 25 years, that despite the expertise of our excellent care providers in Ontario, the excellence of our cancer system, we'd all rather see a case of cancer prevented rather than treated.

Some cancers are indeed preventable. For example, screening is the only way to detect the early changes that might lead to cervical cancer. Up to 93% of cervical cancers are preventable through regular screening. The Integrated Cancer Screening Strategy led to the implementation of a coordinated provincial program administered by CCO for breast, cervical and colorectal cancer screening services in this province.

The Integrated Cancer Screening Strategy aligns with the minister's Patients First action plan, the next phase of Ontario's plan for transforming Ontario's health system. This strategy exemplifies the commitment to put people at the centre of the system by focusing on improved access to screening services and providing them with the



information they need to make the right decisions about caring for their health.

The primary goal of the strategy is to increase cancer screening rates, to detect pre-cancerous changes or cancer at an early stage, when there's a better chance for treating it successfully, and to establish the information management and information technology infrastructure that inevitably enables performance improvement.

In terms of our progress on audit recommendations, which Dr. Rabeneck is going to detail, the ministry takes seriously our commitment to safety and the delivery of high-quality, evidence-based cancer screening services in the province and works in collaboration with CCO to ensure that the Ontario Auditor General's recommendations are addressed and that all eligible Ontarians have access to high-quality screening.

We thought that the Auditor General's report was very positive, but there is still work to be done in addressing some of the recommendations that are more complex and require time to implement. We're confident that the ministry and its valued partners will build on the capacity created through the ICS strategy to ensure that Ontarians have access to the highest-quality screening services now and in the future.

I now would like to hand your attention over to Dr. Rabeneck, who will speak to the specifics of the Auditor General's recommendations.

Dr. Rabeneck.

**Dr. Linda Rabeneck:** Thank you, Dr. Bell.

Good afternoon, everyone. I wanted to start by saying that Cancer Care Ontario—and in particular, the screening program—we welcome the audit. We had a very collegial set of interactions as we were preparing the materials for the Auditor General's team. We felt it was a very productive exercise, and we're very proud to be able to summarize for you the tremendous progress that we are making in cancer screening in the province, and our responses to the report.

1240

I want to make two comments just before we go into the details of the report. First, as we all know—just to make sure that we're all on the same page—cancer screening is doing the test when you feel fine: no symptoms, no problems. If I'm a woman considering having breast screening—there's nothing wrong with my breasts; I haven't found a lump; there's no discharge; I'm not concerned about anything; I am fine. It's the same thing with cervical and colorectal screening. Screening is doing the test when everything is fine, and a potential participant is not aware of any issues with respect to the colon, rectum, breast or cervix. That's the first thing I wanted to say.

The second thing is that I wanted to underscore a point that Dr. Bell made: What we have here in the province for breast, cervix and colorectal—or the large bowel—are three organized screening programs. We make a tremendous distinction—and this distinction is made in all jurisdictions around the world—of the difference between organized screening, which requires significant

infrastructure, and there are important reasons for that, and opportunistic or ad hoc screening.

Ad hoc screening is when you go to your doctor—you're going in for a blood pressure check or a prescription renewal—and you bring it up or your doctor notes that you haven't been screened and makes the recommendation then. That conversation may occur; it may not occur. So it's opportunistic. If you don't see your doctor, you may not get the recommendation about screening.

Organized screening is defined by the World Health Organization. It has several key components. The first one is a very clear target age group—for each of the three screening programs, we have that—a very clear test to be used; and the intervals at which the test is to be repeated if it's negative. Mammography is every two years for a woman at average risk, for example. Mammography is for women at average risk of 50 to 74 years of age. I'm a woman of that age group; I'm to have mammography every two years. So: a clear target age group, a clear test, and a clear recommendation about the interval for repeats.

Furthermore—and this is crucial—in any organized screening program, there needs to be assurance that the person with the abnormal screen gets helped and navigated and moved to the diagnostic test that's recommended. If I'm a woman and have a mammogram and there's an abnormality found, the Ontario Breast Screening Program navigates me to the further imaging and the biopsy that are recommended. I get navigated to that next stage. In ad hoc screening, that doesn't occur.

Finally, there needs to be a way of measuring the impact of the screening program in the population. For that, we're blessed; we have the Ontario Cancer Registry. We register every Ontarian who has a new diagnosis of cancer. We know exactly how many people are diagnosed with the disease.

The whole point of organized screening is that quality is assured at every step of the way, whether it's the mammogram, the follow-up after the mammogram, if needed, or into the treatment phase, if needed—quality every single step of the way. The quality of the screening program is only as good as the quality of every single step. Screening is not a test; it's a process.

Finally, there are invitations sent to potential participants. In the case of breast screening, women in the province receive a letter of invitation to participate in breast screening; the same thing for cervical screening in the relevant age group: women 21 to 69 years of age; and the same thing with colorectal: men and women 50 to 74 years of age. Invitations to screen to a clear targeted age group—there's a clear test, with recommended intervals, a follow-up with those with an abnormal screen, and measurement and public reporting of quality every step of the way.

I'm making a big point of this because we have these three terrific organized screening programs in the province that we have implemented and are continuing to implement—as opposed to ad hoc screening. There's a consensus around the world that organized screening is



the way to go to ensure the highest-quality screening in any given jurisdictions.

Turning to the report: As Dr. Bell mentioned, there were five recommendations from the audit team, and within those recommendations there were two or three sub-recommendations, so there were a total of 10 altogether. I'm very pleased that we've been able to fully implement seven of these since 2012, which was the time of the audit. We have a terrific team working on this and we've done, I think, some terrific work.

What I would propose to do is to quickly go through each of these, highlight for you what we have achieved and indicate those areas in which we have work under way.

The first three recommendations were on the three screening programs themselves. The first one is breast screening. Two items were noted: to periodically evaluate the wait times at the screening facilities and to take measures to increase our capacity for genetic assessments. This is particularly for women at high risk in our High-Risk Ontario Breast Screening Program. I'm pleased to say that we've fully implemented both of these.

I should have noted in the beginning that with the Ontario Breast Screening Program, for women at average risk, aged 50 to 74, it's a mammogram every two years. For women who are at high risk, we launched in July 2011 the high-risk breast screening program. We were the first and only province to launch a high-risk screening program and, to our knowledge, to this day we're the only jurisdiction in the world that we're aware of that has an organized screening program for women at high risk of breast cancer. We're very proud of that launch, and we are measuring our wait times and our cancer detection rates for those women at high risk.

Who are they? They're women aged 30 to 69. There are four categories that we invite into the program, but the main one is women who are known to be gene mutation carriers or a woman who is a first-degree relative—a close relative of someone who is a proven gene mutation carrier. If I had a sister who's a proven BRCA1 or 2 carrier, I don't need to be tested; I'm considered at high risk and I can enter our high-risk screening program.

The OBSP high-risk screening program is annual mammography—it's not every two years; it's every year—and it's also annual MRI, magnetic resonance imaging, another type of imaging. We have terrific high-quality screening for women at average risk and women at high risk for breast cancer in our province, and we have fully implemented those first two recommendations that mainly relate to our high-risk program.

The second recommendation related to our colorectal screening program, which is called ColonCancerCheck. Here, there were two recommendations. The first one was to address concerns that doctors have around the stool test that we currently use, which is the fecal occult blood test, or FOBT for short. The second one was to explore ways of improving wait times for colonoscopy.

With respect to the fecal occult blood test, we are working towards replacing that with another stool test called the fecal immunochemical test, or FIT, which is a superior test. We will have that fully implemented by 2016-17. That is the first recommendation of the ones we have talked about so far where work is under way but it's not fully implemented. So we're switching out the current one, the FOBT, which was launched in 2008, for a better test, the fecal immunochemical test.

The second recommendation for colorectal screening relates to the wait times for colonoscopy. Those are improved and we have completed that undertaking.

The third recommendation relates to cervical screening, and there were three recommendations. I won't go into detail here. This one is fully implemented. It relates to targeting promotional and educational efforts to increase participation among women in the province. We have a set of measures that we've taken there. The second one was educating the public and health care providers on appropriate cervical screening intervals—I'll talk to that in a moment—and thirdly, monitoring wait times for colposcopy. Colposcopy is the test where, if I have a highly abnormal PAP, I'm recommended to colposcopy, where the gynecologist does a pelvic exam, but looks directly at my cervix with a magnifying glass to see abnormalities. We are now measuring the wait times for a colposcopy and beginning to collect data from colposcopy sites in the province. That one is implemented.

Around the education, we've done abundant education around cervical screening. We updated our cervical screening guidelines in the spring of 2014 and disseminated them widely around the province. We changed the age at initiation of Pap testing and have disseminated that widely. It has had quite a significant impact. So those recommendations around better communicating the Ontario Cervical Screening Program to the public and to physicians, we have fully implemented.

#### 1250

The fourth recommendation was addressing initiatives to improve participation in our three screening programs. We have fully implemented this. We have a suite of measures that we have put in place, since the original audit, addressing participation. But the most important one that I wanted to highlight was that, at the time of the audit in 2012, we did not send out correspondence—that is, letters of invitation—to all those three target age groups for each of the screening programs I mentioned. We had some correspondence, but it wasn't fully implemented. Today, and as of March 2015, in a terrific piece of work by our team, we've fully implemented correspondence—that is, letters of invitation—to the target age group for each of the three screening programs. We don't yet know the impact of that tremendous implementation of correspondence, letters to invite people to participate. It's too early yet to know the impact of that, but that was quite a significant undertaking and achievement. We have no doubt that that will have an impact on our screening participation rates. We have a



number of other measures that we've implemented to raise participation, but that really is the main one. So that one is implemented.

Then, the final recommendation is not fully implemented, but the work is under way. We have a tremendous team on this. This is to ensure that Ontarians are receiving high-quality cancer screening services whether they are provided under our screening programs that I just described to you or whether they are receiving the services from other providers outside the program. So you might say, well, what the heck is that? I described to you the Ontario Breast Screening Program. Today in this province, of the women who undergo screening mammography, 75% receive their mammograms within the Ontario Breast Screening Program and therefore benefit from all of the quality measures that we've described, and many others. Twenty-five per cent of women who have mammograms for breast cancer screening are screened outside the Ontario Breast Screening Program today. We haven't fully completed the work to transition all the non-OBSP mammography into the Ontario Breast Screening Program. That is a piece of work that's under way. We've begun to transition, but we're not fully implemented. That will be implemented fully at the end of the next fiscal year. So we have a team on that.

We also have a team on—there are individuals whose information is not fully captured for the Pap testing, for the cervical screening program. You might say that they are screened outside of our Ontario Cervical Screening Program. Who are they? Well, it turns out that the information that we receive at Cancer Care Ontario—we have tremendous data holdings. For women who have their Pap test done at a hospital, we don't have that result information. For all the other women who get their Pap test done not at hospital sites, we have the information. So we're missing about 15% of Pap tests currently in our data holdings at Cancer Care Ontario. Again, we have a team on this, working to bring all the information about all the Pap tests—regardless of where they're done, whether in hospitals or not in hospitals—into the cervical screening program. So that is a second piece of work that's under way.

Just in summary I would say that of the 10 recommendations, we have fully implemented seven of them and we have teams with a great deal of active work under way to complete the remaining three.

**The Chair (Mr. Ernie Hardeman):** Thank you very much for your presentation. We will now start with the questions, starting with the third party.

**M<sup>me</sup> France G  linas:** Chair, could you tell me how much time I will have in my first rotation, just so that I use my time wisely?

**The Chair (Mr. Ernie Hardeman):** It will be 20 minutes in the first.

**M<sup>me</sup> France G  linas:** How many rotations do you figure we'll get?

**The Chair (Mr. Ernie Hardeman):** Well, we have two hours.

**M<sup>me</sup> France G  linas:** So I'll get two 20-minute rotations.

**The Chair (Mr. Ernie Hardeman):** Yes. The second one may not be quite a full 20 minutes.

**M<sup>me</sup> France G  linas:** Eighteen?

**The Chair (Mr. Ernie Hardeman):** Something of that nature.

**M<sup>me</sup> France G  linas:** All right, then. I'm 30 seconds late, so I'll have to speak fast. Nothing good comes when I speak fast.

I don't know if you guys have chapter 4 of the audit—what we're talking about. Because in my first 20 minutes, I will go through the report and ask odds and ends questions that came up with the report.

If you have any interest, I'm on page 437, way at the bottom. That was part of the background, and it reads: "Mammography screening wait times for women with average risk for breast cancer ranged from just ... two weeks to 10½ months; and Cancer Care Ontario found that for women considered at high risk for breast cancer, wait times for genetic assessments of screening eligibility averaged 84 days."

It surprised me. Two weeks to 10½ months: This is a big range. Are there patterns? Are we quicker in small, rural hospitals and there's a big backlog at UHN? How does that divide up geographically or by size of facilities or whatever else?

**Dr. Linda Rabeneck:** Thank you for your question. In fact, we had quite a discussion with the auditor team around this wait-time estimate, which was not a figure that we provided based on information that was provincial in scope. I believe that it was obtained from either one large hospital, or from a review of charts at one or two facilities. It's just not the case that women wait 10½ months for their mammography, for breast screening. There may have been some charts that were reviewed in which this appeared to be the case, but we don't have wait times of 10½ months for screening mammography.

**M<sup>me</sup> France G  linas:** What would you say it is, then?

**Dr. Linda Rabeneck:** Well, it's probably on the order of—it would be better if I actually got the number for you. I'd be happy to do that.

**M<sup>me</sup> France G  linas:** Okay. But you know that it's not 10½ months?

**Dr. Linda Rabeneck:** I do.

**M<sup>me</sup> France G  linas:** Would it be 9½ or—

**Dr. Linda Rabeneck:** No, no. A matter of weeks.

**M<sup>me</sup> France G  linas:** A matter of weeks?

**Dr. Linda Rabeneck:** Yes.

**M<sup>me</sup> France G  linas:** Okay. Does the team from the auditor—I can ask them later as to where the 10½ comes from.

The next odds and ends question that I have is on the following page. It starts with "Cancer Screening Programs ... Recommendation 1," and it ends with, "Cancer Care Ontario should periodically evaluate the wait times at each of its screening facilities." You told us that it was fully implemented. Is this information that is easily available publicly, or is this information that is



available to you and the hospital in question, but nobody else?

**Dr. Linda Rabeneck:** I'd just say that in terms of the information, we have a system whereby in each of the LHINs, or regions, we have a regional vice-president, and the screening program provides support for a screening team in each of the LHINs. We have regular calls, monthly, with our screening team and the team in each region and provide for them detailed information on how many people have been screened, how many people have been navigated and all this detail. So we have exquisite detail in these regional calls, with the regional cancer screening teams.

In addition, we roll up, if you will—this is at individual facilities—at the regional level—

**M<sup>me</sup> France Gélinas:** Which is at the LHIN level?

**Dr. Linda Rabeneck:** At the LHIN level—every quarter. We have good information. I'll give you a good example for the Ontario Breast Screening Program. One of the wait times that we do track, which is a very important one, is for when a woman has an abnormal mammogram and she requires a biopsy to determine whether or not she has cancer. For every single woman in the Ontario Breast Screening Program, we measure the time from the mammogram to when she gets that tissue biopsy. The target—it's a national target, actually—is seven weeks, and we measure provincially what our achievement is, and we measure for each region exactly what that achievement is. I actually can show you in one moment, if I look through my papers, exactly what it is region by region. That information is reported in the quarterly meetings with the LHIN-based cancer team. That's the kind of systematic approach we have to measuring access to biopsies.

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**Dr. Bob Bell:** If I could just fill in one other detail, you'll see reference in many of the materials to CSQI, the Cancer System Quality Index, which is the product of North America's first systematically established quality council. It began in 2002. It publishes an annual survey of cancer system performance, looking at Cancer Care Ontario's data, in a very publicly accessible website, [www.csqi.ca](http://www.csqi.ca). That's one of the indicators that is included: time from abnormal mammogram to biopsy or evaluation.

**M<sup>me</sup> France Gélinas:** My question was: How public is that information?

**Dr. Linda Rabeneck:** That one's publicly available.

**M<sup>me</sup> France Gélinas:** So the area where that becomes public is through the CSQI website?

**Dr. Linda Rabeneck:** Yes.

**M<sup>me</sup> France Gélinas:** They may be quarterly, but before this data gets rolled up, years go by.

**Dr. Linda Rabeneck:** I would say, as Dr. Bell has pointed out, if you go on the Cancer Care Ontario website and you look for Cancer System Quality Index and click on it, and then click on breast screening, then you can open the graph up and you can see exactly this

indicator again: What the national target is, what we're achieving provincially, and each LHIN—how it's doing.

**Dr. Bob Bell:** That's reported annually, and it's frequently reported in the local press as to how one region is doing with respect to provincial performance.

**M<sup>me</sup> France Gélinas:** It is made public, but the quarterly information is made public how far down the road? If we click all of this right now on your website, we're not going to see the data from June 2015; we're going to see data that dates from 2013-14.

**Dr. Linda Rabeneck:** That's correct. The more recent information, to your point, is the basis of these regular calls with the regional cancer screening team in each of the LHINs.

**M<sup>me</sup> France Gélinas:** So I guess my question is a bit like—why the delay? I understand that you have a team that keeps track of it in a serious manner and an effective manner, and you are open to making that information public—obviously, I can click—but why is there a lapse in time in between your keeping close tabs of it monthly, and the website being 2013-14? I'm in September 2015.

**Dr. Linda Rabeneck:** The main point of providing it—it's not just us keeping close tabs on it—and having a discussion with the regional cancer screening team is so that they can take action. It gives them an early indication if their performance was exceeding our target—80% of biopsies done within seven weeks for women with abnormal mammograms, which we do meet on the provincial average—but if they're in a LHIN or a region that's not quite meeting the 80%, then they'll know within three months, without waiting for a year, whether they're meeting that target or not, and then they can take action. So it allows them to adjust their own work in the region or the LHIN.

**M<sup>me</sup> France Gélinas:** I'm now on page 439, and I'm still on the details of recommendation number 1, and they say: "The changes"—I'm in the middle of the first paragraph—"The changes included moving from funding nurses who help clients navigate the system on a rate-per-case basis to funding an allocated position," which I completely support. Is this common within Cancer Care Ontario that screening would be paid by case rather than by position? Give me a sense as to the payment structure of all our screening programs.

**Dr. Linda Rabeneck:** On this one with respect to page 439, your question relates to, I think, the high-risk Ontario Breast Screening Program.

**M<sup>me</sup> France Gélinas:** It does, but my question expands beyond this. It just flagged for me that I was surprised that—well, first of all, that came as a surprise. I always thought that nursing positions were funded as 0.5 or 0.7 or full-time positions. I was surprised that Cancer Care Ontario would fund nursing positions per case. I'm just wondering, is the per case payment common within the screening programs at Cancer Care Ontario?

**Dr. Linda Rabeneck:** The short answer is, "Not so common," but I'll explain this one. As I mentioned, the high-risk Ontario Breast Screening Program, the high-risk OBSP, is one of our most recent achievements. It



was launched in July 2011, so it was new. At the end of our first year of implementation, we had an evaluation. We conducted an evaluation of the performance, and we learned some things.

One of the opportunities that we learned about was—we did have an opportunity to adjust the funding model for navigation of women in that program, so adjustments were made to the funding model specifically for the high-risk OBSP.

It's a new program, and it's fair to say we felt that in retrospect, when we first set forward, we didn't have the funding component set at what it should be, so we made these changes. But that piece there reflects the changes that we made to the high-risk OBSP.

**M<sup>me</sup> France Gélinas:** Maybe I will ask—I forgot your name, but I know that you're in charge of the financial aspect at Cancer Care Ontario.

*Interjection.*

**M<sup>me</sup> France Gélinas:** The microphone will come on. They control them.

**Mr. Elham Roushani:** Okay. Elham Roushani. We at Cancer Care Ontario do not directly employ nurses, as your question, I think, was referring to. But when we do formulate the funding models, we account for, basically, the nurses' time with respect to navigating these cases. That's what this is about. This is not about paying nurses on a per procedure basis, but at Cancer Care Ontario, we do pay for certain procedures to providers on a per episode of care basis.

**M<sup>me</sup> France Gélinas:** Could you name me some?

**Mr. Elham Roushani:** For example, in 2014-15, we implemented—for chemotherapy there are various bundles of care; for GI endoscopy, there are various bundles of care, which incorporate all the care providers in different—it's a complex funding formula. Nurses are included; their time is included in there.

Based on that, we're not paying the nurses directly in this case. We're paying the providers. But in order to capture the entire episode of care, and price it and cost it, we need to be able to calculate all the contributors to that episode of care and price it. That's how this is done.

**Dr. Bob Bell:** I can speak as someone who used to be in charge of the biggest cancer centre in the province. This method for providing funding ensures both quality and also efficiency, in that you're being paid not a global fund but, rather, you're being paid on the basis of the work that's done. There are always quality parameters associated with the work that's done, so it's not just a question of you have to put a patient through; you have to measure the quality elements attached.

There has been a tremendous difference to the quality of cancer care in the province as this pay-for-performance approach has permeated virtually all the cancer system.

**M<sup>me</sup> France Gélinas:** Okay. I'm moving on. Still on page 439—that's for the FOBT being transitioned to FIT. From 2008 to 2017, we will have used the FOBT, and then we will transition. If it's a better test, it seems like it's a little bit slow, but I'm sure there's lots to be done.

So give me an idea as to why is it that we're not happy with FOBT, why is it that we will be happier with FIT, and why is it that it will take us two and a half years to get there.

**Dr. Linda Rabeneck:** Good question. I'll back us up. Minister Smitherman made the announcement of funding for ColonCancerCheck in January 2007. The public launch was actually in April 2008, but 2005 was when we submitted the actual detailed plan around the colorectal cancer screening program, what became ColonCancerCheck, that was to be provincial in scope.

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The recommendations we made in there were based on evidence available at that time, the best evidence, and the best evidence supported by evidence-based guidelines around the world, including our own Canadian Task Force on Preventive Health Care, which is a blue-ribbon panel. The Canadian Task Force on Preventive Health Care had an existing recommendation that said every Canadian province should, at a minimum, implement the fecal occult blood test, or FOBT, at a minimum done every two years. That was the existing evidence-based recommendation.

We always knew that there was more evidence to come for other tests, and we had our eye on the fecal immunochemical test, but no jurisdiction went with the fecal immunochemical test in those days because the evidence wasn't sufficient to support it.

I should say that we were the first Canadian province to launch an organized screening program for colorectal cancer, and we're very proud of that.

England launched in 2006, two years before us, and they went with the fecal occult blood test. They're still using the fecal occult blood test, but they're also planning a transition. The Netherlands, which just launched one year ago, launched with the fecal immunochemical test, but prior to that, they didn't have any screening program.

What I'm describing is the acquisition of evidence—

**M<sup>me</sup> France Gélinas:** It led to the change.

**Dr. Linda Rabeneck:** —from high-quality trials that basically did head-to-head comparisons with the fecal immunochemical test and the fecal occult blood test. We learned that the fecal immunochemical test did a better job at detecting cancers and did a better job at detecting the high-risk polyps, the precursor, the pre-malignant.

**M<sup>me</sup> France Gélinas:** So my next question goes back to the other end of the table. Is there a difference in cost between those two tests, and what does that represent?

**Mr. Elham Roushani:** We're still in the pilot phase because these are kits that need to be developed and tested. I don't have that information for you right now, because we're still in the pilot phase with respect to the FIT test. There has to be laboratory testing to ensure the quality of the test. Once our pilot is done and this can be provided to all the primary care providers, then we can be able to cost it. But I don't have that information—

**M<sup>me</sup> France Gélinas:** So any idea if, per test, it's different in price?



**Dr. Linda Rabeneck:** I can make a comment about that.

The actual kit itself is a little more expensive. Now, as Mr. Roushani has indicated, what we end up paying for it will depend on when we procure it, and that will be a competitive process. The actual kit is more expensive than the fecal occult blood test, which has been around for a long time, but there are some very good cost-effectiveness studies that have shown that it is a more cost-effective test to use. Why? Because the kit may cost a little more, but you're detecting more cancers early—

**M<sup>me</sup> France Gélinas:** —that you don't have to treat afterward.

**Dr. Linda Rabeneck:** Yes.

**Dr. Bob Bell:** If I could also comment—as Dr. Rabeneck said earlier, this is not just a test; it's a process. We expect, for example, with the use of FIT tests, the positive predictive value will be higher. We'll identify more complex patients, and we'll have to have colonoscopy services available for dealing with larger polyps, more positive cases. So it's not just a question of planning for the FIT test, I think it's fair to say, Linda. We also have to plan the next downstream step, which is more effective colonoscopy services than the current simple screening services, for more complex polyps.

**M<sup>me</sup> France Gélinas:** Okay, got you. My next question—I'm on the next page—should be a very short one. As of March 25, 2014, Cancer Care Ontario had recruited nine of the planned 13 regional colorectal screening/gastrointestinal endoscopy leads. Why 13 leads for 14 LHINs?

**Dr. Michael Sherar:** Maybe I can answer that. We have a little bit of a difference with respect to the LHIN structure for our regional cancer program structure, in that we have one regional cancer program that covers two LHINs, one regional vice-president—I don't want to go back to all the reasons, although I can happily give you that information as to why we set out on that course.

The Mississauga Halton and Central West LHINs have one regional vice-president and really one mechanism of accountability for performance back to Cancer Care Ontario and provincially with respect to all cancer services across those two LHINs. The regional vice-president there, who is located at Trillium Health Partners, works with all of the providers across those two LHINs. So in some of our accountability mechanisms across the province in terms of clinical leadership, which falls under the regional vice-president in terms of working with the providers, we have 13 in quite a few of the areas of care because of that particular circumstance.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes the first 20 minutes.

The government side: Mr. Potts.

**Mr. Arthur Potts:** Thank you, doctors, for being here, and Mr. Roushani. Delighted to have you here. In many respects, I think what we're talking about here is an extremely-good-news story. Much of what we see in the public accounts committee are agencies which we need to do some serious work on to improve performance, and

what we're experiencing in the auditor's report and what we're hearing today in some of your follow-ups is that Cancer Care Ontario is a leading jurisdiction in the world and certainly in Canada for screening for these kinds of cancers, and the response that you've done to the recommendations and the speed with which you've been able to implement that is most admirable and much appreciated.

You're a data-driven organization providing social services and following up on outcomes which allow you to measure so that you can go back and improve. At the heart of this, of course, are people's lives and families and how that impacts. So I think this is a great-news story and we're delighted to see the work that you've done and how you've responded.

Dr. Bell, you talked about prevention, that regular screening prevents. In layman's, we would think that you were screening to identify and then to treat, and much of the fear of people getting into the system relates to the fact that, "Oh, if I go there, they're going to find something and I'm going to be under care." So maybe you could expand on this whole notion and the examples of where the prevention is, the early precancerous conditions you mentioned and such, and maybe that's part of the public outreach that you're doing or you can explain how it helps drive more people into the screening program, that they're not so terrified of what the outcomes might be.

**Dr. Bob Bell:** Thanks, Mr. Potts. The answer to your question is so compelling that even an orthopaedic surgeon can talk about this issue with some degree of understanding.

Probably the best example is the progression of polypoid changes in the colon to become a full-blown cancer. There are absolutely well-understood—there's some research done in Toronto, some research done around the world, that demonstrates that there's a well-ordered progression of mutations that occur in the cells of the lining of the colon that result, first of all, in the development of a benign polyp, and then, with further mutations within that polyp, premalignant changes, malignant changes, and then, at that point, invasion of cancer cells down the stalk of that polyp into the wall of the colon.

With screening, if you have a fairly substantial polyp, or even a small polyp potentially with the immunochemical test, blood in your stool reflects the presence of this polyp. The polyp tends to shed blood. So if you have an FOBT-positive test, you're referred for colonoscopy, the polyp is identified, and the polyp then gets removed. The polyp is then evaluated under the microscope by a pathologist. I believe, Linda, if there are cancerous changes on the top that don't invade the stalk, you then have a very high percentage chance—

**Dr. Linda Rabeneck:** That's right.

**Dr. Bob Bell:** —of being cured. So how good is that?

In the old days, you would have presented three or four years later with an obstructed colon, terrible pain, because this thing would have invaded the bowel and you



would now have a full-blown cancer. With this program, we're able to remove these things at a time where—if any of you have had a colonoscopy, you know it's not the procedure you want done once a week, but certainly investing in that kind of procedure on a couple-of-yearly basis with this kind of anticipation is something that is a wonderful improvement in our health care system.

**Mr. Arthur Potts:** Great. And staying on the colonoscopy aspect, are the FIT test and the FOB test a pre-screening to a colonoscopy? Because, in my experience, it's colonoscopy first. I don't think I've ever had those screenings, but I have had the others.

**Dr. Linda Rabeneck:** Right.

**Mr. Arthur Potts:** Is that too much information, Chair?

*Interjections.*

**Dr. Linda Rabeneck:** The design of the ColonCancerCheck program is for people at average risk, so no symptoms, no family history. It's the stool test, the fecal occult blood test, or it will be the fecal immunochemical test or the FIT, as we've been talking. But for people with a family history of one or more first-degree relatives, so a parent, a brother or sister or, much less likely, a child—for people with that kind of family history, it's direct to colonoscopy. So we actually have two streams in ColonCancerCheck itself.

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**Mr. Arthur Potts:** I guess I have no history in my family, but that wasn't an option. But that's fine, and I maybe know going forward.

You talked about the three streams of organized province-wide testing, which is fantastic. Those are the three streams we're doing, and opportunistic testing in a whole bunch of other areas. Is that part of the review that we're doing, these other areas as well, or was it just on these three?

**Dr. Linda Rabeneck:** Thank you for your question. The review is just on our three organized screening programs that we've been talking about. What I would say is that we have a very active team of scientists who monitor the evidence all the time. We participate in the International Cancer Screening Network, which has a meeting every two years. We just had a meeting in June in Rotterdam. There, all the international experts come and we learn about any new evidence that's emerging regarding screening for any other cancer besides the three that we screen for. We learn what other jurisdictions are doing, how they're coping with the new evidence. We learn what trials are under way and where we're anticipating new results. So we keep on top of the evidence like hawks, frankly.

About the evidence: It needs to be of very high quality. There are certain ways of measuring the quality of evidence. We have our own program in evidence-based care based at McMaster University, where all of the existing evidence is pulled together and synthesized in a very rigorous way. That helps us assess whether the weight of the evidence favours moving forward to screening or whether the evidence is insufficient. So

we're very much evidence-based and evidence-driven. Why we have these three screening programs is they're bullet-proof evidence that organized screening for these three cancers makes a difference and reduces deaths from these three cancers.

When it comes to other cancers that we're not currently screening for, the evidence is insufficient or incomplete.

I would make one further comment. We now have evidence around high-risk lung screening, a very high-quality body of evidence, and we have started the planning work to move us forward to high-risk lung screening—a pilot to test the feasibility of high-risk lung screening. When the evidence reaches a certain strength and rigour, then we will start to advise the ministry that it's time to start planning. That's how the process basically starts.

**Dr. Bob Bell:** The strength of this process is evident. Within the context of scarce resources being applied to the right areas, and considering the example of prostate-specific antigen, or PSA screening for prostate cancer, the CCO has looked at that multiple times and has found that it's not a good screening test for population-based screening. We don't provide that test in our publicly funded health system.

**Mr. Arthur Potts:** Right, okay. Now we talked a bit about the new program for high-risk breast cancer screening. How have the wait times changed since the auditor's report or how do we move forward on improving on wait times for MRIs, particularly for women who have had positive results through their mammogram?

**Dr. Linda Rabeneck:** Yes, thank you. We do measure the wait times. What we mention with the high-risk OBSP is a woman has two screening images; one is a mammogram and the other one is an MRI, another type of imaging. Those need to be done within a month, or it's optimal if they're done within a month, of each other. They can't be too far apart. We're very pleased that in 2012-13, about 90% of women in the high-risk breast screening program had their two imaging tests done within 30 days. Now, in 2014-15, we're up to 93% of women getting their images done within that 30-day window, because if the time between the mammogram and the second imaging test, the MRI, is too long, it's very difficult to interpret. Then the whole set of images would have to be repeated. So we're very keen to keep those very tight, and I think we're achieving that.

**Mr. Arthur Potts:** Right. We talked about a backlog of maybe 900 case logs. Maybe you could explain—I believe a radiologist left or something, and it seemed like one person backlogging a system. Can you maybe explain that dynamic and how it's improved and where we are there?

**Dr. Linda Rabeneck:** Yes. I'm pleased to say that one is fixed. It's been fixed for some time. That's our interval cancer rate. Again, one of the quality measures in the Ontario Breast Screening Program is that we report to individual reading radiologists—individual radiolog-



ists—their cancer detection rates and their recall rates—how many women they bring back for further imaging—and we report to them on interval cancer rates. That is an individual physician performance measure. The assessment of whether a cancer has been detected by a mammogram or is an interval one that occurs subsequently: That assessment requires a great deal of expertise. You have to bring radiologists together; they have to read a panel of X-rays; it's a lot of effort that we put into that.

Earlier on, at the time of the audit, our provincial leadership, who's our radiologist-in-chief—had stepped down, and we were in the process of recruiting a radiologist-in-chief to lead this interval cancer review. During that time, we had a backlog of interval cancer cases to be read. That has now been fully dealt with. We have a spectacular radiologist-in-chief and we're all on top of that.

**Mr. Arthur Potts:** Great. Thank you very much.

**The Chair (Mr. Ernie Hardeman):** You have 10 minutes left. Mr. Fraser?

**Mr. John Fraser:** Ten minutes? Great. Thanks, Mr. Chair.

Thank you very much for being here today. I appreciate very much all the information that you've given us. I do want to ask some questions around colorectal cancer, initially just around the screening in terms of the uptake. There's a challenge around screening programs, as we discussed earlier today: people fearing the outcome. Then what happens is, you don't get great pickup or utilization, simply because—it's not for fear of outcome but I know I've got my second notice in the mail—too much information. Hopefully, I'll get that before I get a third.

What has CCO done in terms of—I shouldn't say that out loud, but I just did—targeting that perception that some people have? I'm sure it's across the screening world, but there seems to be a big difference between the uptake on colorectal cancer—

**Dr. Linda Rabeneck:** Yes. It's a good question. I'll talk about the uptake in a minute, for the ColonCancer-Check program. With respect to colon cancer screening, just to go back and put this in perspective: The Ontario Breast Screening Program was launched in 1990. All women know they need to get screened for breast cancer, and men know that women need to get screened for breast cancer. You can talk about it at a cocktail party. It's not, anymore—there's not social discomfort about talking about breast cancer and breast cancer screening, I would say.

With respect to colon and rectum, you won't find people talking about it as openly. It's a newer screening program. The evidence is more recent. We launched in 2008; that was seven years ago. But you're right: Across all jurisdictions, there is a challenge for all screening programs to educate the public about the importance of colon cancer screening. How to bring that to people's attention—what kind of campaign and how it should be presented—is often debated. But there is a discomfort in our society about talking about that part of the body. You

don't go to a cocktail party and hear people talking about their colon or rectum very much.

What we've done, together with our partners in the ministry, is embark on various campaigns to bring the message. Some of them are provincial in scope and some of them are just within our LHINs, within the regions: customized messages to help people learn that it's not to be feared and to help them get over the awkwardness about talking about and thinking about that part of the body.

**Mr. John Fraser:** Thanks. Another question that we had this morning—

*Interjection.*

**Mr. John Fraser:** Did you want—

**Dr. Michael Sherar:** I was just going to make one further comment, if I could, just to add to Dr. Rabeneck's comments. One of the other challenges that we face, and all screening programs face, is that that uptake challenge is variable. We have a very diverse population in Ontario, and we see variation in uptake across the regions and across our communities. We have very good information in terms of what that picture looks like. We can provide information to communities and providers around their specific populations, looking at those reasons for how we might develop targeted approaches that are going to help specific communities and populations overcome those barriers to participating in screening programs. So we have a whole set of efforts to try to make sure that this is equitable across the province, and "equitable" means sometimes very targeted approaches to support specific communities and populations overcoming those barriers.

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**Mr. John Fraser:** Therefore, you're able to identify whether there's a certain group of the population, whether it's geographical, rural—

**Dr. Michael Sherar:** Yes.

**Mr. John Fraser:** —or it's in one part of the province or the other, so you have that information and you're able to share that information with—

**Dr. Michael Sherar:** We do—with communities, with family practice providers, in terms of their populations and how we might support them with specific messaging that helps those communities engage with them in terms of a conversation about participating in screening.

**Dr. Bob Bell:** Four years ago, the Cancer Quality Council of Ontario challenged CCO to focus on health equity. One of the areas they identified was that it's difficult to screen aboriginal populations and some monocultural populations, and they've really put energy and work into it.

To the best of my knowledge, to this point they haven't considered parliamentarians to be a difficult-to-screen population, but perhaps with these comments—

**Mr. John Fraser:** Maybe I'm the outlier.

Just a technical question—we discussed this this morning. The screening tests are available through your pharmacist or with Telehealth Ontario. How does that work?

**Dr. Linda Rabeneck:** For people who have a family physician, they receive a letter from me saying that



they're in the target age group and inviting them to talk to their family doctor about getting screened. You don't get the kit in the mail currently. You get the letter, and you're encouraged to talk to your family physician.

**Mr. John Fraser:** You know I got the kit already, right? So that's—

**Dr. Linda Rabeneck:** Step two.

So that's how it works if you have a family physician.

We estimate that maybe 5% of people in this target age group—50 to 74—don't have a family physician. We call them “unattached patients.” There, they can call 1-800 Telehealth, and they'll quiz them to make sure they don't have a family physician. If they don't have a family physician and they're in the target age group etc. and satisfy the eligibility, they will receive a kit. Since there isn't a family doctor to send that test result to, the result gets couriered to the participant, and it also goes to Cancer Care Ontario. Then we have a system of attaching people to primary care providers and family physicians. In that process, we do attach people to family physicians.

**Mr. John Fraser:** I was talking, actually, to the president of the Canadian Cancer Survivor Network, not on the screening end of things but on when people are in care post-diagnosis and treatment.

Are those attachments done regionally? What's the mechanism? I'm just asking you a little bit more about those attachments, what the vehicle is to do that.

**Dr. Linda Rabeneck:** At Cancer Care Ontario, we have a contact centre, and you see on your letter that if you have questions, you can call the number. We have a group of trained individuals answering questions in our contact centre. LHIN by LHIN or region by region, they have a list of family physicians who've agreed to take on additional patients if asked; they're happy to add patients to their practices. The people in our contact centre can give them the name of a family physician who would be happy to accept them as a patient. We actually do that attaching, and we follow up to make sure it happens.

**Mr. John Fraser:** That's great. That's good to know. How much?

**The Chair (Mr. Ernie Hardeman):** About a minute and a half.

**Mr. John Fraser:** Just a quick question. I'm from Ottawa. A number of years ago we had some challenges around a colonoscopy clinic in Ottawa. I just want to know what CCO has done in terms of—I know that public health did the inspection. But what have we done to ensure quality and safety at colonoscopy clinics?

**Dr. Linda Rabeneck:** We have a very important initiative, as we speak, that launched about two years ago, which is a partnership with the College of Physicians and Surgeons of Ontario, the CPSO. It's a CCO-CPSO partnership. We call it the QMP, the Quality Management Partnership, and we are focusing on colonoscopy, mammography and pathology. We have put together an expert panel and they have devised quality indicators, or quality measures: “Here's what high-quality colonoscopy looks like. This is what you need to achieve.” And we are in the process of designing a

method for collecting data from every site, hospital or clinic, wherever it occurs—a method of collecting this information from each of these sites and assessing the quality. Led by the regional leads that we have—and we have a provincial lead—there will be oversight of the measures of quality for colonoscopy regardless of the facilities in which they occur.

It's a very active piece of work as we speak, and we have a tremendous set of quality indicators already devised. Actually, this fall we'll be presenting our inaugural report for these three health services, which is the first report of our Quality Management Partnership.

**Mr. John Fraser:** Thank you very much. I guess I'm out of time.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. We'll go to the official opposition. Mr. Yurek?

**Mr. Jeff Yurek:** Thanks, Chair. Thanks very much for coming in today. It has been a very informative day for me. Thanks to the Auditor General for briefing us this morning.

I do have quite a few questions, and it's generating more interest as we go along so I'm sure the second round might be a little more intensive, I would say.

I'll start where I was going to start, but I want to go back into Mr. Fraser's questions because he raised a couple of points with me, and then we'll carry on.

With the colon check program that's ongoing, do you collect numbers of how many turn out to be false positives and what's the percentage, and is that one of the reasons why you're changing the test to the FIT?

**Dr. Linda Rabeneck:** With the colon check, we track monthly the volume of kits processed in the lab. We track the percentage of those kits—what the positivity rate is. It tracks around 4.7% or just under 5%, right now. We track, of those who have a positive test, how many go on to have a colonoscopy, and we track, for those who have a colonoscopy, who have a cancer diagnosed. So we actually measure and track every step of that way.

**Mr. Jeff Yurek:** Okay. Leading to the next question with regard to tracking how many go to get a colonoscopy, maybe we can be provided those numbers when you get an opportunity.

**Dr. Linda Rabeneck:** Yes.

**Mr. Jeff Yurek:** You don't have to do it today.

Do you track failed tests? I just comment on that—everyone is getting personal. My mother had a test—she'll probably shoot me for saying this. She got a letter back from Cancer Care Ontario saying it was insufficient—they couldn't get a result; “please resubmit.” She said, “Forget about it. It's too much hassle. I'll just forget about it.”

Do you track how many failures you have in that respect and adjust your education program to ensure that the test is done properly? I'm sure there's a certain segment of society, of the community, that would have a hard time doing the test properly, especially those without a family doctor who—luckily my mom does, so she just goes and talks to him and lets him do the testing going further, but those that fall outside the screening—



**Dr. Linda Rabeneck:** Yes. We do track this—again, monthly. We track the number of kits received in the lab, the number that were suitable for processing, and we also know the number that are sent back, as you described with your mother. We also know the reasons that these are sent back, and in the letter it indicates what the issue was. We call them kit rejections, and we track it monthly.

Sometimes kit rejections occur because the labelling of the requisition and on the kit is not aligned. Sometimes there's not a label on it. Sometimes the way the kit has been completed isn't suitable, and sometimes the kit is outdated—in 21 days, the fecal occult blood test kit outdates. So there are several reasons why a kit can be rejected by the lab for processing, and then the person does receive a letter back, just as you describe.

One comment I would make: The fecal occult blood test, or the FOBT, that we've been talking about—as your mother would know, there are these three windows, so it's three separate specimens from three separate stool samples. When we move to the fecal immunochemical test, it's a single specimen and easier for a person to complete. That's one of the reasons why the uptake is higher and the number of kit rejections is lower with the fecal immunochemical test. It's just a simpler test for a person to complete.

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**Mr. Jeff Yurek:** Sure. That drives home the point that the member from the third party was making, which is it has taken two years to transfer to that. I mean, you'd think a simpler test to reach out to more people would be a quicker switchover.

**Dr. Linda Rabeneck:** Yes. The only short answer I would give is, as Dr. Bell was mentioning, screening is a process, not just a kit or a test. There are many aspects of the process that need to be changed or adjusted when we do something that seems as simple as swapping out a kit. It has to be procured; we have to ensure colonoscopy resources are there, and so on. There are many moving parts to the transition to FIT.

**Mr. Jeff Yurek:** Okay. Now, I'm just going to refer back to a response you gave to Mr. Fraser: 5% of patients, you figure, don't have a family doctor.

**Dr. Linda Rabeneck:** Right.

**Mr. Jeff Yurek:** Is that a provincial 5% you're figuring? Is it urban? Is it rural? Is it northern Ontario? Because I know the availability of family doctors varies throughout the province. I just want to know how those numbers jibe.

**Dr. Linda Rabeneck:** Maybe the deputy minister—

**Dr. Bob Bell:** We know pretty much that consistent responses to provincial telephone surveys suggest that 94% of Ontarians have access to a primary care physician. We also know there is a proportion of folks who just won't make themselves available to primary care. Young males, for example, tend not to have primary care doctors.

You're right: That rate does vary across the province. What we also hear is that availability of primary care providers, when patients want them, is probably as big a

problem as the issue of actually having a primary care physician.

**Mr. Jeff Yurek:** That just dovetails into recommendation number 4: "The Ministry of Health and Long-Term Care should monitor and assess current Cancer Care Ontario initiatives designed to improve participation in screening programs among people who do not have family physicians...."

The response I'm reading here: "When registered, participants who have abnormal screening test results are identified by Health Care Connect as a priority for referral to a family physician accepting patients within their local community."

I know in my community, especially in the far rural parts of my community, down in the Dutton area or West Lorne, which have been short of doctors—they don't have doctors available. Our one poor doctor, Dr. Peter, is overworked. He has to somehow utilize locums when he can, to get a two-week holiday over a 52-week year. I think he does a tremendous job for our community. But they don't have doctors. You're saying the LHIN has the list. If the LHIN has the list, it's not working, because I have pocketfuls of patients without a doctor. So I just want to know what happens. How can you ensure that they get into treatment? What if it's just not happening? Do you send them to the hospital then, to go further, or do they just sit and wait or get forgotten?

**Dr. Linda Rabeneck:** I would say, in answer to your question, that what I described—the work of our contact centre—is for those who have a positive fecal occult blood test. There, the recommendation is that they should have a colonoscopy. We're very keen to make sure that they have that colonoscopy.

For that group of people, men and women who have a positive fecal occult blood test, we not only have the list, LHIN by LHIN, of family physicians accepting new patients; we provide them with information about physicians accepting new patients. We follow up to make sure that they've been connected, because we want to ensure that those with a positive FOBT do go on and see a family physician about the recommendation for colonoscopy.

**Dr. Bob Bell:** Maybe I could just speak to the issue of ClinicalConnect, the concept of connecting patients to primary care physicians. That entity has been successful in placing more than 500,000 Ontarians with primary care providers. Currently, we have about 400 net new primary care physicians entering the province annually.

The issue, of course, is one of distribution, as you've described. It's important for rural areas to have the same kinds of access to primary care as urban areas. A couple of initiatives have been focused on rural areas. One, of course, is the Northern Ontario School of Medicine. This made a tremendous difference to access to primary care in the north.

The second one is the new program that we've introduced for managed entry to rostered models of care for physicians. We've made it possible for physicians to enter into rostered practices—which is the way that



physicians are trained and want to practice now—only if they're entering into high-needs areas, areas which have a measured deficiency in primary care. We're hoping that's going to result in more areas that you are describing having populations with access to primary care.

**Mr. Jeff Yurek:** I'm glad that my area was included in that. It was kind of concerning that it may not have occurred because my area is not an under-serviced area, but it's allowed to bring in the newer doctors that roster patients. In my area I think the average age of our family doctors is probably in the mid- to high sixties. Over the next few years, I'm sure they're going to want to retire and enjoy a little bit of the money and life they want to spend going forward.

But I do know that even in the urban areas—I've had comments from London, home of Deb, that they're in need of bringing in doctors and certain family health teams, but they can't because of that rule that has been stated. It will be interesting to see, going forward, how that works its way out.

You made mention here too, and I think it's an interesting idea, of where you've brought the mobile units up in the northern area to help with screening. The question was participation: Has it been well-utilized? Is the utilization rate showing the same type of numbers as would other parts of the province? To what would you attribute a lack of usage of that screening opportunity? And again, relate back to the lack of family doctors, because I'm pretty sure northern Ontario has a tougher time than my area of the province, which is having a terrible time attracting and keeping doctors.

**Dr. Linda Rabeneck:** Yes, I could answer your question about the mobile coach in the northwest. We've had a mobile coach in the northwest since 1992. The focus has been on breast screening, particularly women in the remote communities. In the summer of 2013, we added cervical screening to the coach, so women can receive Pap testing on the coach as well.

The coach travels quite a geography: over 30 communities and the annual mileage surpasses 17,600 miles a year. I can tell you that in calendar year 2014, nearly 6,000 women were screened with mammography in the coach, which is a terrific achievement for women in those remote areas.

We've added a coach in the Hamilton area more recently, but our longest experience is with the coach in the northwest.

**Mr. Jeff Yurek:** Is having a coach in the Hamilton region the best utilization of that tool? I would think there would be other regions in Ontario that would probably be more of a priority to getting that out there than, say, a large urban area like Hamilton that probably has more opportunity for the people in that area to access the screening.

**Dr. Linda Rabeneck:** One of the approaches that we wanted to test is—getting back to the earlier discussion we had about improving participation and reaching people—in the Hamilton area, we wanted to test, first of

all, the opportunity to bring it to large sites of employment so that women could, for example, have their mammogram during the day when they're at a large work site, for example, in an effort to improve and encourage participation. We have also started to plan the use of that coach for the First Nations communities, and we're beginning to discuss with them which communities might be most amenable to that.

**Mr. Jeff Yurek:** Just going back more to Cancer Care's colonoscopy standards: Your recommendation is to perform 100, minimal, new and follow-up colonoscopies each year to be competent and 25 new cases a year. Is that number a standardized number nationally or globally, or is that just a number that you thought would be good?

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**Dr. Linda Rabeneck:** Yes. This relates to the important observation, for which there's good evidence, that there is a volume-outcome relationship with the performance of colonoscopy. It's well-known in surgery, and Dr. Bell, I'm sure, could comment, that there are some cancer operations whereby the outcome of the cancer surgery is better if the surgeon does a large number of these procedures. The same thing is true of colonoscopy. It's not a cancer operation, for sure, but there's no question that if an endoscopist is doing a small number of procedures a year, on average the quality is not as good as if an individual is doing more than 200 a year—on average, if you aggregate. I'm not saying that there aren't individuals doing spectacular colonoscopy that are doing less than 200 a year, but if you add it all up and aggregate, we know that in this province, because we've assessed it, the quality is higher amongst those endoscopists that do at least 200 a year. We've measured it, and that's why we've set that as a quality indicator in place.

We were talking earlier about the quality management program and the indicators. We're going to be reporting publicly, region by region, on the proportion of colonoscopies that are done by someone, an endoscopist, who's doing at least 200 a year. So there's good evidence to support the 200.

**Mr. Jeff Yurek:** Now, in low-population-density areas throughout Ontario—northern, eastern and south-western parts—are the doctors able to reach the number to maintain their competency? Are there problems occurring with that? How do you work that out?

**Dr. Linda Rabeneck:** One of the pieces of work that we need to do is look within region, within LHIN, at the number of colonoscopies that are done, the number of endoscopists and how many each are doing in terms of capacity planning. So we have not said that if you're doing less than 200 you have to stop. We have not said that. We're beginning to measure it and report on it.

We do know that there's going to be a need to individualize this somewhat, because we don't want to implement something that's going to disadvantage people's access to the procedure. At the same time, we have to assure high quality. So we do believe we're going



to need to go work with our partners in the LHINs and in the regional cancer programs to make judgments and recommendations about the volumes for individual endoscopists.

**Mr. Jeff Yurek:** Okay. How many more minutes do I have?

**The Chair (Mr. Ernie Hardeman):** About three minutes.

**Mr. Jeff Yurek:** I'm just going to give you a three-minute question instead of continuing on. It was brought up about getting the colon kits from pharmacists and Telehealth.

**Dr. Linda Rabeneck:** Yes.

**Mr. Jeff Yurek:** Have you looked at utilizing other health care professionals to handle the kits? I know there's a strong number of people who go to chiropractors, or older people going to physiotherapists. Is there a way to utilize the other health care professionals or bring them in? Would that help, or have you looked at that and thought it was a waste of time and money?

**Dr. Bob Bell:** Just a comment in general: About 8% to 10% of Ontario's primary care providers are not physicians; they're advanced practice nurses, for example. So certainly they're strongly engaged in the integrated cancer screening program. As you've mentioned, pharmacists also have the ability to provide advice and screening materials. We haven't looked beyond that to this point. I don't know, Linda, whether you've looked at other providers?

**Dr. Linda Rabeneck:** We haven't. It's what we've called multiple distribution points, besides the primary care provider or the pharmacist. We haven't looked closely at it. Because, with organized screening, you need to be able to track how many kits are given out. You need to be able to follow them and find out what the results are. You need to attach people to family physicians if they don't have one—all those pieces. We thought that if we stick with primary care providers and pharmacists and did that well, that was how we were going to start. So we were hesitant to spread it, at the beginning, more broadly than that, because we do need to track every single kit that's disbursed.

**Mr. Jeff Yurek:** Just quickly on Telehealth—we were talking about it this morning. How does that function to give out the kit? Because in my history with Telehealth, whenever I've called, I've always been told, "We can't give you any advice. You should contact your primary care physician." If someone calls up with some sort of protocol that says they should get this kit, does that actually happen, or do they say, "Contact your doctor and go talk about the kit"? I just wonder how that works with Telehealth.

**Dr. Linda Rabeneck:** It actually happens. There's a script that they follow. They make sure you're in the right age group, they make sure you do not have a family physician, they make sure you don't have a symptom, like rectal bleeding—which means you shouldn't get the kit; you should go for a colonoscopy—and they make sure you don't have a family history of the disease. Once

those criteria and others are satisfied, then they will arrange to have a kit mailed. But they have a strict protocol that they follow to make sure that the right people are receiving the kits.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That does conclude the first round. We now have 16 minutes for each caucus. We'll go to the third party.

**M<sup>me</sup> France Gélinas:** I'll use them wisely.

I wanted to correct my record but make a point at the same time. I have the CSQI data right now from breast cancer screening participation as well as colorectal. The data for breast cancer is 2012-13 and the data for colorectal is 2011-12. So there is data available online, but it is very old. Compared to what you're talking about, that you do the work, you collect the data, but it is not made accessible—that was the point I was trying to drive. I'll put that aside.

Some of the comments that you made, Deputy, about entering roster practice and a lot of new family physicians are interested in rostered practices and we now have areas of the province that are high-needs—I get all of that; I support all of that. The part I don't get is: Why do we only have so few a month? If we already know that Nickel Belt—because I have a soft spot for the vacancies in Nickel Belt. We already know that there are high-needs areas in Nickel Belt: 30,000 people without a primary care provider. We are in an area. We have requests for setting up rostered practices. Why is it that they have to wait in line and we don't know when they're going to get there?

**Dr. Bob Bell:** The number now is about 20 a month, and it doesn't stop physicians from going into practice. For example, physicians graduating today know that they could go into practice in Nickel Belt. They could certainly start practice as either a locum physician or a fee-for-service physician with a group that's practising within a family health organization, family health group, family health team etc. It's just a matter of going through the administrative steps of being able to join a rostered group and having a managed entry to practice. We administratively take about 20 a month to put them on that protocol, but it doesn't stop them from arriving and practising.

**M<sup>me</sup> France Gélinas:** It does for \$1 million a reason, but that has nothing to do with what those good people are here for.

Why 20? Can I convince you that 25 would be a better number? How about 30?

**Dr. Bob Bell:** As I say, 50 can actually go to Nickel Belt and start practising. They will come on to the rostered model within a reasonably short period of time. I don't think at this point, if they knew they're going to be moved into a family health organization model within a period of time, it would stop people from actually going there.

**M<sup>me</sup> France Gélinas:** What is that period of time?

**Dr. Bob Bell:** We work on a first-come, first-served basis, essentially. So it depends on where they are in terms of asking for registration within the full model.



**M<sup>me</sup> France Gélinas:** So are we talking days, weeks, months?

**Dr. Bob Bell:** If they're at the front of the line, faster than if they're late in registering or later in registering. Once they've got a licence from the College of Physicians and Surgeons, they can move into a practice immediately.

**M<sup>me</sup> France Gélinas:** And bill OHIP, but we'll leave that aside.

I love the idea that you get the result. Those 30,000 without a family physician in Nickel Belt? They do get those little letters, and we all have the 1-800 number to call. They call, and then it falls apart.

1400

There are no primary care physicians who will take them. They have a full-blown diagnostic of cancer. They're being followed by an oncologist, and the oncologist begs anybody and everybody to provide them with primary care, because at the cancer treatment centre they end up providing them with primary care because there's nobody to attach them to. To me, when you say things like this, it seems completely detached from my reality.

**Dr. Linda Rabeneck:** I hear what you're saying. I would just make sure that we all understand that when we talked about what we have with the contact centre, it's within the cancer screening program at Cancer Care Ontario. It is designed to assist those who have a positive screening test who need to go on to get a colonoscopy, the recommended next step. It's designed to attach those people because of the need, frankly. They're at higher risk of having cancer because they've got a positive stool test. So it's designed specifically for that population, wherever they are in the province. We do a very good job there and follow up to make sure the attachment happens.

**M<sup>me</sup> France Gélinas:** Okay. So who do I call to give you examples of where this doesn't work? Because I have Mr. G right now who was in my office last week and followed exactly what you just said and it did not work. He still doesn't have a primary care physician who will take him on. He managed to go through a walk-in. The walk-in referred him for a colonoscopy. He got his colonoscopy. He went into the cancer treatment centre. He has an oncologist and he has no primary care provider.

**Dr. Linda Rabeneck:** So he has already had his colonoscopy?

**M<sup>me</sup> France Gélinas:** Yes.

**Dr. Linda Rabeneck:** Correct. I see. So he's receiving cancer treatment from an oncology team, but he doesn't have a family physician in his situation.

**M<sup>me</sup> France Gélinas:** Correct, but he went exactly through the process at the point where he needed a colonoscopy—

**Dr. Linda Rabeneck:** That was done.

**M<sup>me</sup> France Gélinas:** No, you did not provide him with a family physician. He ended up going into a walk-in clinic with all of this. A physician who doesn't know him from a hole in the ground and certainly does not ever

want to see him again gave him a referral to go have a colonoscopy so that this colonoscopy got done, but you certainly were not there to provide him with a primary care provider, and he still doesn't have one.

**Dr. Linda Rabeneck:** I'm happy to receive the details and I'm happy to work on that one.

**M<sup>me</sup> France Gélinas:** Okay. But I don't want everybody to come through their MPP office to have that done.

**Dr. Bob Bell:** Has he experienced ClinicalConnect at this point?

**M<sup>me</sup> France Gélinas:** I have those kinds of cases in my office all the time, people who are very sick, who are under the care of a specialist and who don't have a primary care provider. The specialist doesn't want to be the primary care provider, for good reason. I must say, the cancer treatment centre is phenomenal with their nurses. Their primary care nurse does a very nice job. But the system you're describing does not work. It does not work in my riding, and I'm sure I'm not the only riding where it doesn't work.

**Dr. Linda Rabeneck:** Thank you for the point you're making. I'll make one other comment to describe another set of initiatives that we have around the unattached patient. I described the contact centre helping those with a positive FOBT make sure they have a colonoscopy. We also have a provincial primary care lead—a terrific doctor, Suzanne Strasberg—and we have a regional primary care lead in all of our LHINs. What that team has done is they've prepared a list of primary care physicians in the region who are happy to and can take on more patients. I know that Dr. Strasberg and her team have worked on these lists LHIN by LHIN, and that's another effort that we have under way at Cancer Care Ontario to address the issue that you're speaking about.

**M<sup>me</sup> France Gélinas:** I'll put that aside. How long?

**The Chair (Mr. Ernie Hardeman):** You're halfway.

**M<sup>me</sup> France Gélinas:** Okay. I get the process. You get a positive test, you send for a colonoscopy, the colonoscopy is done and then the diagnostic is done, if so.

I was surprised to see that if you look at the payment under OHIP for colorectal cancer screening, it has been going steadily down. I would have expected it to go up. In 2011, \$95 million; 2012, \$90 million; 2013, \$85 million; 2014, \$75 million; 2015, \$46 million—you can all see that it goes down. I'm just curious to understand how come the payment is going down. I guess this is to the deputy.

**Dr. Linda Rabeneck:** Just a point of clarification: Is that the total OHIP reimbursements across the province that you're referring to?

**M<sup>me</sup> France Gélinas:** The deputy will know what I'm talking about. It basically comes from the estimates book, as to how much the province has spent on their colorectal cancer screening under OHIP.

**Dr. Bob Bell:** There are a number of different reasons that people have colonoscopies. Part of it is screening colonoscopies, part of it treats symptoms, and part of it treats people for surveillance after they have had a cancer diagnosis. I'll have to check on what the actual vote is,



but I can't imagine that the total billings for colonoscopy have actually decreased by that amount. I'll have to give you an answer on that.

**M<sup>me</sup> France Gélinas:** Okay. It's basically in the estimates book, and there's a line in the estimates under OHIP that's called "Colorectal cancer screening," so it's solely for screening, and those are the numbers that I read to you. It's going down every year.

**Dr. Bob Bell:** I just don't know what the distribution of funding is to Cancer Care Ontario and what the distribution is to—actually, this may be an example of what Dr. Rabeneck has called "ad hoc" screening. Outside the actual population-based integrated cancer screening program, there may be other bills that are submitted for ad hoc screening, and that has potentially gone down as integrated screening has gone up, but I'll have to get back to you on that.

**M<sup>me</sup> France Gélinas:** No problem.

I've talked a lot about the North, but there are other regions in Ontario where things don't perform as well. I'm now talking about Windsor, where they say, "By the time patients seek treatment at Windsor's cancer centre, their cancer is more advanced—and more deadly—than it is in patients elsewhere in the province.

"It's a dreadful phenomenon, say local cancer experts who cite it as one of the reasons this area has lower-than-average survival rates" for the more deadly cancers, and he names breast and colorectal.

He then goes on to say, "The participation rate for colorectal cancer screening is 58 per cent, which means 42 per cent of people" etc. How can we explain differences like what I just read about Windsor compared to the rest of the province?

**Dr. Michael Sherar:** Maybe I could respond to that, because I think it speaks to our general approach and accountability to the Ministry of Health and to the public in terms of our role, which is to advance a quality agenda in the cancer system, recognizing that, overall, we're continuing to improve and put efforts into improving the quality of the cancer system in the province and recognizing that, across the province, that is variable. It's of course variable to some degree in all aspects of the cancer system, and it's why we've put in place a performance management approach through regional vice-presidents, clinical leads, in these areas, as we do with all areas of the cancer system.

Part of that approach is dealing with this issue of variability where it occurs. The reasons for that variability can be quite complex with respect to why that's occurring, and part of the role of our interaction as a provincial agency with those local leaders—the regional vice-president and the organizational leaders, as well as the clinical leaders and the clinical leadership—is understanding what the reasons are, whether it's screening participation, quality of cancer surgery or any other aspect. We go through that process, based on data, to understand what those are and to support those regions and the local communities with respect to performance improvement.

Sometimes that involves targeted support from a provincial perspective, things like the under/never-screened initiatives, to help those communities and those regions bring that performance up. All of our approaches are aimed at improving that overall performance and when we look at the best to the worst of getting that, so it's narrower, I'm not sure we'll ever get it right to the line, but it's certainly that two-pronged approach of addressing the variation and the overall.

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We use all of our tools to do that, including the operational data driving performance management, as well as the public reporting with respect to that variation which we're committed to as well. In that case, we would work with the regional vice-president and the leads in the Windsor area, as we do on a regular basis and formally on a quarterly basis to really understand these issues and support them in bringing the performance up.

**M<sup>me</sup> France Gélinas:** I remember when you and I last met. You gave me the think tank summary, Cancer Care Ontario's Enhancing the Delivery of Take-Home Cancer Therapies in Ontario. You gave me a copy of that, which I did read. I guess it would be to you, Deputy: Right in the executive summary, it goes, "Ontario is facing some formidable challenges, most notably"—that comes from Cancer Care Ontario—in quality, in patient safety, in equitable access and system integration. In quality, it goes on to say, "The system lacks oversight and comprehensive data collection to inform quality improvement processes." We have seen, through the review that the auditor has done, some of that in motion. Bringing it back to you: What are your ministry's overarching tasks, actions and goals regarding this?

**Dr. Bob Bell:** Thanks. Certainly, the agenda for transforming health care in the province really focuses on improving the quality of the care, measured in a variety of ways, as well as the customer experience, the client experience with accessing the health system. We'd agree that certainly we need to travel in terms of improving the quality of access to the health system and other things that the Patients First plan is focused on.

I think when it comes to actually measuring the quality of care and improving the quality of care, Cancer Care Ontario has set an international standard in terms of third-party measurement of the outcomes that patients achieve. Probably the thing that Ontarians care about most when it comes to the quality of cancer care is—bottom line—"What's the likelihood of surviving the type of cancer that my family member or myself is suffering from?" International comparisons of five- and 10-year cancer survival rates for the most common cancers have been published in the respected international journal, the *Lancet*, and demonstrate that rates in Ontario for common cancer survival are amongst the highest in the world—I think it's fair to say, Michael—and I think we continue to monitor that very carefully.

If you look at a base summary indicator of how well we're doing when we look at stage-specific five-year survival and overall survival from cancer diagnosis, that



speaks to the earliness of cancer detection, the effectiveness of screening programs, as well as the systematic application of best practices at every step along the cancer journey. I think that Ontarians feel that they're getting the highest-quality cancer care.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes the time for that questioner.

The government side: Mr. Rinaldi.

**Mr. Lou Rinaldi:** Thank you, Chair. I apologize for being a bit late.

I don't have a question. I just want to make, I guess, a statement from my own perspective, putting more of a touch, as Madame Gélinas did within her riding. In the close to 10 years that I've spent here now—I stand to be corrected because my staff does most of the front-line work, as they should. The issue about access to cancer treatment or screening of any type hasn't really been an issue, because normally they flag for me what I need to raise. Maybe somebody did call at one time or another, but certainly, the process kicked in.

From some experience, both with family and with some very, very close friends who are now survivors—and we don't get too many compliments as MPPs, many times. Normally we get the complaints. But I must tell you that our area is serviced by Kingston, Belleville, Peterborough and the Durham area, and there's some treatment at the Cobourg Northumberland Hills Hospital, though as a satellite of Peterborough, I believe. It's never pleasant, but I guess the end result is that we have survivors, and I've had some people appreciate on that piece what you do. I won't take the credit—what you folks do.

I just wanted to highlight that. Things are not always perfect and I think you recognize that, but the fact is that we have some other train wrecks that call my office with issues. As sad as it is when somebody is touched by some type of cancer—it's normally not a very pleasant circumstance—at the end of the day, and I'm only reflecting on very close friends and family that have been impacted, I just want to say thank you.

**Dr. Michael Sherar:** Maybe I could just respond. I appreciate the remarks. All of us, I'm sure, have had family members who have gone through this journey. I just wanted to make the statement back that, although I think we have made very good progress with respect to the cancer system in Ontario—that's measured publicly by a quasi-independent group, the Cancer Quality Council of Ontario—certainly we as an organization are never satisfied with that. We're continually looking for opportunities for improvement, not only in what we're doing now, but reviewing the evidence that's changing that picture with respect to what's best practice for the future. We're motivated to do that with, of course, our own personal stories, but also our interactions with patients and families across the province.

We've just launched the newest Ontario Cancer Plan for the province. It's our fourth Ontario Cancer Plan. It was co-led by a patient representative as well as one of our vice-presidents. It's a renewal of that commitment:

We're not satisfied in terms of that quality; we continually think there are opportunities for improvement and we're looking for those and we want to act upon them. I appreciate your comments, but also reflect that this is continual work. It's never done.

**Mr. Lou Rinaldi:** This is in no way meant in any partisan way. From the little interaction that I've had with your agency, I think some other government agencies should take a close look at how you operate and learn from that.

**The Acting Chair (Mr. Ernie Hardeman):** Thank you, Mr. Potts?

**Mr. Arthur Potts:** I want to build on what Lou is saying because we take Ms. Gélinas's concerns very seriously. Different parts and regions may have different experiences. Certainly there's the experience in downtown Toronto, where we're extremely well-serviced by agencies, and our family members and friends who have gone through that process have had the experience they've had. They've said they've been well attended to and had the availability of doctors.

As an agency, do you track concerns, complaints, patient satisfaction surveys? We talk about it in that sense, but do you track people who are concerned and have those experiences, the negatives against positives? And are you then able to deal with action plans to address—maybe it's the geographic areas?

**Dr. Linda Rabeneck:** I can speak first for cancer screening and let you know what we do. We have a team. We log every piece of feedback we get, whether it's a letter—sometimes they're addressed to me and sometimes they come to the CEO—or whether they're in an email. Sometimes they come to me, the CEO's office, or sometimes to the public affairs and communications team. Sometimes they call the contact centre. Sometimes they email Screen for Life.

We track and log all of them and we respond to a large number, depending on the nature of the issue. In cases where action is needed, we take action. We're very good at circling back with people, I would say, with respect to cancer screening and the feedback that we receive.

**Dr. Michael Sherar:** More generally, if I may, we're continuing to strengthen our commitment to engaging patients and families in all aspects of the work that we do. That includes more and more gathering data from patients as a set of data that's very powerful for helping us drive performance improvement of the cancer system, as well as technical data, like kit rejection or quality of a particular procedure that we might measure with hospitals and providers.

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We are more and more gathering data sets in surveying patients in cancer centres. We now routinely invite patients to fill out surveys with respect to their symptoms and what is being done about those symptoms as they go through cancer treatment at a population level, and using that as a key set of information that helps us drive performance improvement.

So I think that evolution is continuing. It's certainly in the cancer system and I think more generally in the



health system, accessing patient information to help us improve the system for patients and families across the province.

**Mr. Arthur Potts:** Excellent.

**Dr. Bob Bell:** One of the major advances in clinical cancer care in Ontario's cancer clinics is the presence in cancer centres of symptom assessment scores that are routinely connected. So when the clinician actually sees the patient, you've got a sheet that talks about emotional distress; it talks about various symptoms in response to treatment. You can't forget to ask these questions. They are provided to you, and that's been a big piece of making sure that you're not just talking about the physical aspect of cancer treatment. It's also the emotional and symptomatic aspects of cancer treatment that our clinicians are treating.

**Mr. Arthur Potts:** Great. Thank you.

**The Chair (Mr. Ernie Hardeman):** Mr. Fraser?

**Mr. John Fraser:** Thank you very much. I want to ask a question in regard to public awareness and education around cancer screening. I know that you've done some things since 2012, so can you talk a bit about that? Then as a second part to that, I just want to know how you measure success, because you're in the business of measuring success.

**Dr. Linda Rabeneck:** Thank you for that. We partner with our communications team and also with the ministry to help devise province-wide campaigns, or even campaigns that are targeted at a specific group within the target population. That can be measured in two ways. The communications team will measure the number of Twitters and all the media metrics that they use. Yes, they measure that. I can't tell you all the indicators that they measure, but there are all these measures that they use. But we also measure uptake, participation rate in response to the campaign.

For example, we know whether the number of FOBT kits goes up because we measure it monthly. We know when the campaign was and we know whether that goes up, and we know whether there was an impact on overall screening participation in the target age group.

So we measure screening participation as an outcome. The communications team measures the actual response in terms of their media indicators.

**Mr. John Fraser:** For instance, you identified the aboriginal population.

**Dr. Linda Rabeneck:** Yes.

**Mr. John Fraser:** Did you have a specific awareness campaign or a public campaign of a type for that population?

**Dr. Linda Rabeneck:** Yes. One of our tremendous units within Cancer Care Ontario is the Aboriginal Cancer Control Unit that's led by a remarkable woman, Alethea Kewayosh. She's the director. She is a First Nation woman herself. She and her team help lead our efforts in terms of working with partners, working with the First Nations, Inuit and Métis communities to help devise the materials. Some of our materials are actually translated into Oji-Cree because in some remote

communities English is not the first language. We have a tremendous set of materials there that have been co-designed and developed with the First Nations, Inuit or Métis.

In addition, for one remote community—and that is the Sandy Lake community up in the northwest—at the request of their chief and council and with a great deal of work, we were able to provide them with a list of all the members of their community—there are approximately 3,500 people in this remote community—who were not up to date with screening. That was what they wanted, and we were able to provide it to them. And then the nurse in the nursing station can work with the community to encourage them to get screened. We call that our Sandy Lake screening activity report, or S-SAR.

Now that we've worked out how to do it—the technical and privacy parts of it—we're looking to do it for other communities that request it.

**Mr. John Fraser:** It's interesting when you look at the security and privacy end of it: It's something you want to disseminate publicly, you have to target a population and you've got to follow some rules and some basic principles around—

**Dr. Michael Sherar:** Maybe I can comment on that. Dr. Rabeneck has mentioned our aboriginal cancer control unit and this strategy of working with aboriginal communities, getting the best data we can to support that, but also working on all the privacy and legal issues that are very specific to aboriginal communities that might not be there for the work we do in the general population. We have a whole strategy targeted toward that work. It's a lot of work, but it's very worthwhile if we are able—and I'm confident we will be able—to work more effectively with aboriginal communities in providing the data and information and the tools that are going to be useful to them in their communities in reducing the burden of cancer and preventing cancer in those communities.

We feel this is a very worthwhile investment. A lot of work is going on now with those partnerships, with the information and all the technical work—privacy, legal—to start to provide this type of information in a useful form to communities in a way that's acceptable to them. In fact, just the other night, we launched a third aboriginal cancer strategy. We had leaders from First Nations, Inuit and Métis communities from Ontario in the room together committing to the implementation of this plan.

It's a very important part of our approach with respect to equity of top cancer services for everyone in the province no matter who they are or where they live in the province, but a very specific targeted effort to our First Nations, Inuit and Métis communities.

**Mr. John Fraser:** It is—I respect this—a big undertaking because of the duty to consult.

How much time do I have?

**The Chair (Mr. Ernie Hardeman):** Two minutes.

**Mr. John Fraser:** Great. I'll use all two minutes.

We heard, a little bit earlier, about new technologies and new screening. How do you actually keep up with



the change in technologies and the change in data around studies on new technologies for screening in these three areas or any other area? How do you do that?

**Dr. Linda Rabeneck:** We have multiple ways of doing this. We have a program in evidence-based care, that I mentioned earlier, based at McMaster University. It's supported by Cancer Care Ontario. We have superb experts in methods for retrieving evidence from published literature and unpublished literature and from other jurisdictions. So we can go to them and say, "We want you to critically appraise the evidence for organized prostate cancer screening; we want you to critically appraise the evidence for high-risk lung cancer screening." Then they pull the evidence together, pull together a group of expert scientists and provide a report to us that will let us know whether the evidence is strong enough or insufficient to begin to consider moving forward with screening for that particular cancer. That's one very important resource we have, and we make a lot of use of our program in evidence-based care.

In addition, we have individual scientists at Cancer Care Ontario who have their own areas of expertise in each of these screening areas and others, and they track the field. They go to scientific meetings; they know what's going on in the field because that's their life's work.

Also, as I mentioned, we're part of the International Cancer Screening Network, which is an international consortium of jurisdictions that have organized screening programs. We get together every two years and have superb presentations, panel discussions and debates. You learn there how other jurisdictions are grappling with new evidence or what new evidence is being anticipated, and we bring all this home to Cancer Care Ontario and to Ontario, and it helps us in our planning. Eventually, if we do take a decision to move forward, then we begin to work with the ministry on the steps we need to take together. But it's all rooted in the evidence.

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**The Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes the time there.

To the official opposition, Mr. Yurek.

**Mr. Jeff Yurek:** Are you guys tired yet?

**Dr. Linda Rabeneck:** Not yet.

**Mr. Jeff Yurek:** I think we could put a motion to carry on for an extra couple of hours.

I just want to go back to patients in my area and just flag something for you to maybe do some research or look on. In my region, in the St. Thomas area in particular, we have a high number of mental health patients. Many of those patients end up having their psychiatrist acting as their primary care physician, just because of the lack of family physicians in the area at the time.

Through this process—you end up with a positive screen to go further to testing—I just wonder if you know how often that falls back on a psychiatrist, who probably doesn't want to do much primary care—I know from my experience, they don't—for the fact to carry that forward.

That's just a comment; you don't have to respond. I thought I'd just make a note.

The other one is reaching out to cultural communities throughout the province. In my area again, the east part of it has a high Low-German-speaking population. I don't know if you've ever thought of ever reaching out to the public health units throughout the province who have probably already developed programs of outreach to these communities. It might save you some money down the road to utilize them as something going forward to promote and increase your uptake of this screening tool. Those are just two quick comments.

Just to get into my further question: Prostate cancer was mentioned earlier, and I think that's something that hopefully we can come to some sort of consensus to get that screening tool out there because I know, for someone in their eighties or nineties who gets diagnosed with prostate cancer, it's probably not likely going to be their detriment at the end of the day; however, someone in their mid- to late forties or early fifties who picks up prostate cancer—early detection is obviously key to maintaining survival. I know the PSA test has recently gone through some studies saying it's just not as effective, but I know Prostate Cancer Canada is thinking otherwise in their promotion.

Where do you hold that balance where you are getting the literature saying it's not 100% effective; however we are going to save some lives with this testing? Is it just the dollars and cents or is there scientific evidence behind that saying it's just not worth it?

**Dr. Linda Rabeneck:** The prostate cancer screening question comes up not infrequently, and it's always a challenge to reconcile an example of an individual person. Let's say a man with no history, no increased risk—let's say he's 40 years old—and he has a PSA and a cancer is found and he receives treatment. He will say, "I benefited from that screening," and he will make the case for all men being screened with a PSA because of his experience.

On the other hand, if you take tens of thousands of men in that age group and randomly assign them to routine PSA testing versus no screening, follow them over a decade and measure the deaths from prostate cancer in the two comparison groups—a big randomized trial in other words—you find they're not significantly different—there is no statistically significant difference in the deaths from prostate cancer in the one arm that was PSA-tested routinely and the other arm that was not in tens of thousands of men. This is what is being done.

There was a big trial in Europe and there was a big trial in the US. When those results were pooled, so now we're talking even more tens of thousands of men, the judgment of the Canadian Task Force on Preventive Health Care—a blue ribbon panel—is that the benefits do not outweigh the harms. So there are harms of PSA testing that we could talk about, but that's a recommendation of the Canadian Task Force on Preventive Health Care, and they published this in 2014.

The US Preventive Services Task Force, a separate blue ribbon panel in the US, did a similar kind of



exercise. Rigorous critical appraisal of the existing published evidence from these trials came to the same conclusion. Neither the task force in the US nor the Canadian task force recommends routine screening with a PSA test in men at average risk. I'm not talking about men with a family history or men who might be of African ancestry. We're talking about men at average risk.

That's why we at Cancer Care Ontario have not recommended to the ministry that we invest in an organized screening program, the way we have for the other three cancers, with PSA testing for prostate cancer, because the weight of the evidence does not support it. That is true in England, the Netherlands, the US and Canada. All of these expert panels have weighed the evidence, and this is the conclusion they have come to.

It's always a challenge, though, when an individual man comes forward with the description of an experience; it's very hard to explain that. But what we're talking about is that, in the population, there is insufficient evidence to move forward with an organized, population-based screening program across the whole of the province. And it is evidence based; it is not based on cost.

**Mr. Jeff Yurek:** Okay. Good to hear. I'm going to ask one more, and then Ms. Munro is going to ask a question.

I know your mandate right now is screening for cancers. I know I see a big push for chronic disease management, and I know Dr. Bell there is trying to maintain a budget. I can see the government going after chronic disease management.

I'd hate to see us reinvent the wheel. You have the basis and the structure in place. Are you able to switch over and include the mandate of chronic disease screening? Is it possible that we could expand that provincially? I think it would save a heck of a lot of money if we could catch people with diabetes and other chronic diseases far earlier than they are being caught right now. Is there a possibility that that could change in your mandate? Would you be able to handle it?

**Dr. Bob Bell:** One of the things that we base our investment in the integrated cancer screening program on is exactly what Dr. Rabeneck was just talking about; that is, the evidence that demonstrates that you can actually save lives and improve health by investing these funds in early detection.

I'm not sure that there's the same information there on a population basis that if you were to test everybody in a certain interval of time, you would actually save lives by picking up fasting glucoses that were abnormal at an earlier date. I'm not aware that that information exists. I don't know if you are, Linda.

**Dr. Linda Rabeneck:** No.

**Dr. Bob Bell:** Now, where you are absolutely right is that many of the risk factors for chronic diseases are the same risk factors for the development of cancers. Certainly the most worrisome one is the prevalence of smoking; eating fruits and vegetables, meaningful physical

activity—these are all risk factors for the chronic diseases of diabetes, congestive heart failure, chronic obstructive pulmonary disease and hypertension, and they are also risk factors for the development of cancer.

That is where behaviour modifications in the general population that would lead to better health is an area that we are emphasizing, as you know, and that is certainly something that Public Health Ontario and Cancer Care Ontario have come together to say: "These are changes in behaviour that can substantially improve health." I think that combined effort, as opposed to a combined screening effort, is probably where we need to put our investment in improving health.

**Dr. Michael Sherar:** Maybe if I could just add to that: In terms of our assets or infrastructure that we have at Cancer Care Ontario, where we see that issue as broader than a cancer issue—and Dr. Bell has alluded to one of those—which is all of the risk factors for chronic diseases. We look at that issue from a chronic disease perspective, so the advice that we provide to the Ministry of Health is not restricted to cancer. In the context of chronic disease prevention and what might be done in Ontario with respect to risk factors for cancer, we've provided advice with respect to all of the chronic diseases in the context that those risk factors are the same.

We do look for opportunities with the Ministry of Health as to where our expertise, assets, infrastructure or data could support improvement with respect to a broader effort. That isn't only cancer; as you're probably aware, we also manage issues with respect to quality for chronic kidney disease in the province in the context of trying to leverage on a set of infrastructure that can support that type of approach.

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**Mr. Jeff Yurek:** Okay. Julia?

**The Chair (Mr. Ernie Hardeman):** Ms. Munro?

**Mrs. Julia Munro:** Thank you very much. First of all, since we've had other personal disclosures, I would begin by saying that I'm a product of the process you represent and I'm here today thanks to the research and the money that's been put into cancer care, so thank you, personally.

Many of the things that have crossed my mind in the last couple of hours obviously have come up, but there's one which you might feel is appropriate from me, and that is that in the testing there is always—I think the highest age is 69 or 74 in the various screening initiatives that you have. With increased longevity, I wondered whether or not there is any kind of inkling or any kind of thought, any kind of evidence that would suggest that that might become something that you would want to revisit.

**Dr. Linda Rabeneck:** Yes, it's a good question. The question often comes up: Does your screening program stop at age 74 for breast cancer screening, for example, or colorectal screening? And the answer is: We don't routinely invite people aged 75, for example, but what we do encourage is a discussion with the person and their family physician to make a shared decision around whether screening is appropriate for them. But they won't receive a letter of invitation. The reason is that as



we get older there may be other health issues that need to be taken into account in terms of the decision. We're not saying, "Don't get screened"; we're just encouraging people to have a discussion.

The Canadian Task Force on Preventive Health Care: When we talk about them and the target age groups that we're talking about, what they would say, like for breast screening, is a good example: that the evidence is insufficient to support organized screening in those older than 74. It doesn't mean that it can't occur. It does occur, and that's appropriate when there's a good discussion.

**Mrs. Julia Munro:** I just thought people would begin to start thinking in those numbers as more people are living longer lives.

**Dr. Michael Sherar:** It's an important question, if I may, because of the issue that you've brought up, which is the demographics; that the population is getting older. But practice is changing too in terms of the evidence around the benefit of different parts of the process for the cancer system, whether it's screening, diagnosis or treatment with respect to older people. It's one of the things that we continually look at in terms of access to services for people of different ages.

Part of the equity issue: Are older people accessing the cancer system in as effective a way as younger people?—and the evidence around changes. So we would continually look at that. It is moving, certainly in treatment in terms of the effectiveness and safety, for example, of treatments for older people. We continue to look at that and advance the indications in Ontario, where there's evidence of more and more benefit for older people. We would look at that in the screening context as well.

This is a moving picture with respect to demographics, particularly in the western world, and it's something that we're certainly very much aware of and keep an eye on in terms of making sure that our system is there for everybody no matter what their age.

**Mrs. Julia Munro:** One other point that you raised earlier was the importance of the messaging, of being able to go with the broader public. Certainly, that's my concern as an MPP: I see people who don't want to know. There's a factor, I think, playing into their decisions that, "If it doesn't hurt, don't bother," sort of thing. So it seemed to me that I would encourage, as you indicated, the importance of screening as prevention, and I would add: and peace of mind is priceless. Anyway, thank you very much.

**Dr. Linda Rabeneck:** Thank you.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. That does conclude the time for this afternoon, so thank you very much for—

**Mr. Arthur Potts:** Mr. Chair, did you want to ask a question? I know that you had that experience in Winnipeg.

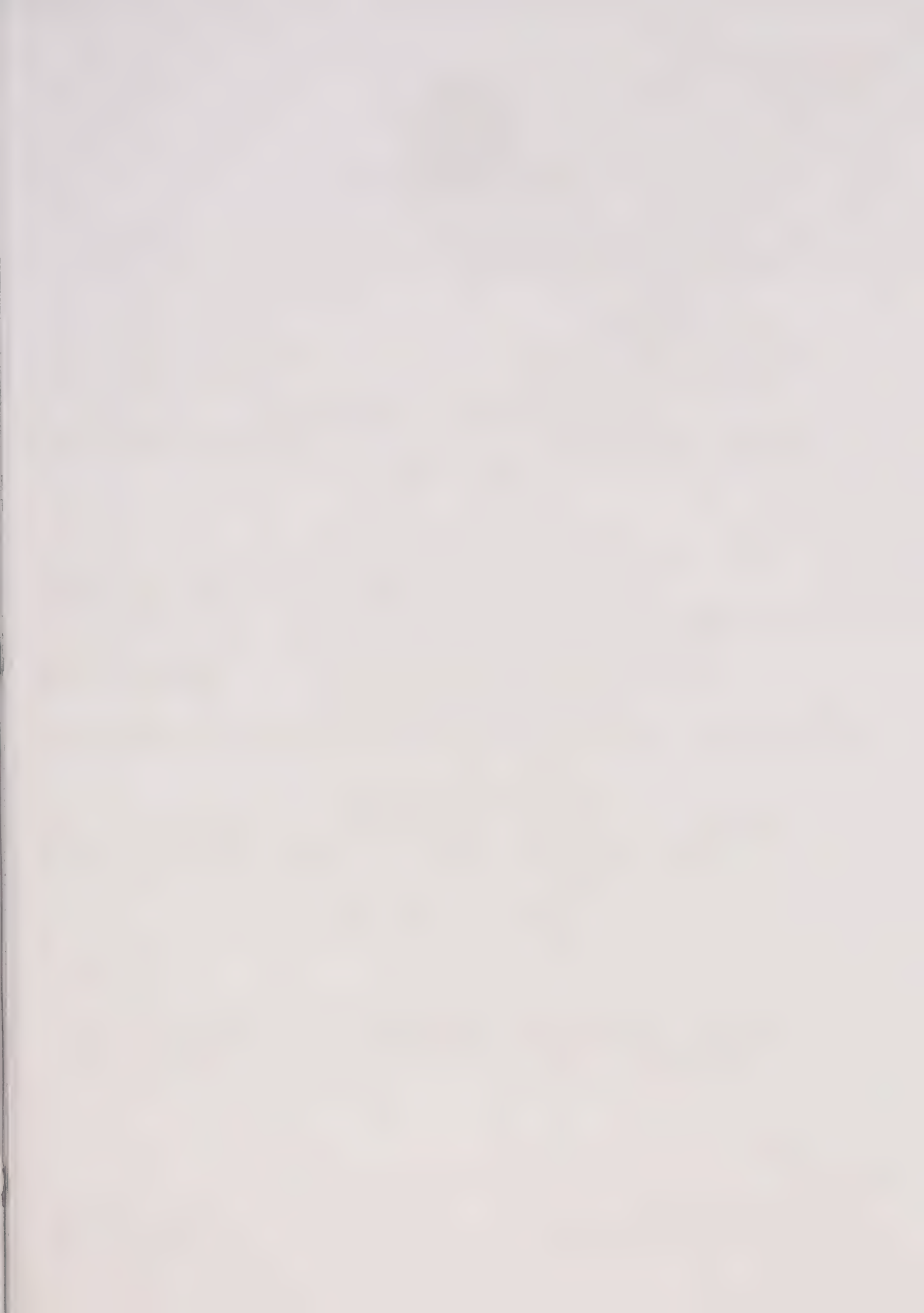
**The Chair (Mr. Ernie Hardeman):** No, I just want to thank you—all the questions have been asked—for being here this afternoon and to say: It's one of the times when, in fact, all the presentations and the answers to questions were more good news than bad news.

So we thank you very much for the work that you do and the advances that you're making in meeting the requirements of the Auditor General's department. We look forward that the next time, all the little things that were suggested today will be corrected, too. Thank you very much for being here this afternoon.

**Dr. Bob Bell:** Thank you, Chair. We'll endeavour to follow up on some of the issues that were raised. Thanks to the Auditor General for the excellent recommendations and the opportunity to respond. We appreciate it.

**The Chair (Mr. Ernie Hardeman):** Thank you very much. If you will just clear the room—hopefully the members of the committee, if they want to speak to the deputants, will speak outside so that we can carry on with the meeting.

*The committee continued in closed session at 1446.*





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## Legislative Assembly of Ontario

First Session, 41<sup>st</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 23 September 2015

# Journal des débats (Hansard)

Mercredi 23 septembre 2015

### Standing Committee on Public Accounts

2014 Annual Report,  
Auditor General:

Ministry of Economic  
Development, Employment  
and Infrastructure

### Comité permanent des comptes publics

Rapport annuel 2014,  
vérificatrice générale :

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économique, de l'Emploi  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Wednesday 23 September 2015

Mercredi 23 septembre 2015

*The committee met at 1232 in room 151, following a closed session.*

2014 ANNUAL REPORT,  
AUDITOR GENERALMINISTRY OF ECONOMIC  
DEVELOPMENT, EMPLOYMENT  
AND INFRASTRUCTURE

Consideration of section 3.06, Infrastructure Ontario's Loan Program.

**The Chair (Mr. Ernie Hardeman):** I'll call to order the Standing Committee on Public Accounts. We're here this afternoon—

**Mr. Steve Clark:** Point of order, Chair.

**The Chair (Mr. Ernie Hardeman):** Let me finish just to tell the world why we're here this afternoon.

**Mr. Steve Clark:** Oh, okay. Good.

**The Chair (Mr. Ernie Hardeman):** We're here for consideration of section 3.06, Infrastructure Ontario's Loan Program, of the 2014 annual report of the Auditor General of the province of Ontario. We have with us this afternoon the Ministry of Economic Development, Employment and Infrastructure, the Ministry of Research and Innovation, and Infrastructure Ontario.

With that, you have a point of order?

**Mr. Steve Clark:** Yes, Chair. I have a point of order. I want to lay a motion on the table for future consideration. I move that the Standing Committee on Public Accounts request that the Auditor General conduct a value-for-money audit of the 2015 Pan Am and Parapan Am Games.

**The Chair (Mr. Ernie Hardeman):** Thank you very much for the point of order. You can table the motion. It will not be debated until a future meeting because obviously we're here this afternoon, as I mentioned in my opening remarks, to meet and hear delegations. They've come a long way to be heard. We thank you very much for putting that. We will table it and put it on the agenda hopefully at our next meeting. Thank you very much, Mr. Clark.

**Mr. Steve Clark:** You're welcome, Chair.

**The Chair (Mr. Ernie Hardeman):** With that, thank you very much for being here. We will ask each person, as you speak, if you could introduce yourself for the Hansard to make sure we get it right. I used to do that

and I found out that you still had to do it because I pronounce in such a way sometimes that Hansard couldn't write it down properly. You'll have 20 minutes to make a presentation. Hopefully then we'll have rotations of 20 minutes for the committee to ask any questions related to your presentation. Hopefully by 2:45, we will have completed and have all the knowledge we need from you today.

The floor is yours.

**Mr. Giles Gherson:** Thank you, Chair. I think I'll begin. I'm Giles Gherson, Deputy Minister of Economic Development, Employment and Infrastructure for the province of Ontario. I'd like to thank the committee, first of all, for inviting us here today, and the Auditor General for her review of Infrastructure Ontario's Loan Program.

IO's Loan Program was originally created in 2003 by the government of Ontario as an innovative financing approach that could provide municipalities with affordable, longer-term loans to renew and build public infrastructure. The program was based on a pooled financing model used successfully in other jurisdictions across North America. For example, British Columbia has the Municipal Finance Authority; Alberta has the Alberta Capital Finance Authority; and Quebec has Financement-Québec.

Under this model, IO bundles a number of smaller loans and then itself borrows, through the Ontario Financing Authority, a larger amount in the capital markets to satisfy that bundle of loans. The program enables the government to better fulfill key public infrastructure objectives at little or no fiscal cost to the province. In general, IO loans are more accessible, less expensive and longer-term.

Prior to the creation of the loan program, only municipalities that were rated could access the capital markets for long-term financing. That includes approximately 15 to 20 of Ontario's 444 municipalities, so only a small fraction were able to access the capital markets on their own. The remaining vast majority of smaller municipalities had to finance long-term assets with short-term commercial bank financing at a higher cost—hence the decision to develop the IO's Loan Program.

Since its creation, the program has been extended beyond municipalities to provide infrastructure lending to the broader public and not-for-profit sectors that benefit the public. This has given these other borrowers access to affordable financing through the province's high credit rating and low cost of capital.



The decision to expand the program to not-for-profit organizations was an important step. It provided these organizations the opportunity to build and improve infrastructure that they need to provide their services that benefit the province as a whole. The government is committed to serving all communities across Ontario. Through IO's Loan Program, organizations providing important services to citizens can be sure that they will be supported as they continue to help strengthen the economy, connect communities and improve the quality of life.

The program benefits all eligible sectors but is particularly helpful for smaller municipalities. They are able to draw on valuable IO expertise by working with an IO client representative throughout the loan application process to ensure that they meet program requirements and will be successful in developing their project. These smaller municipalities receive the same rates as larger municipalities, which often would simply not be the case with conventional bank financing. The loan program, as it now stands, allows municipalities and eligible broader-public-sector and not-for-profit organizations to take out affordable long-term loans to buy, build and renew local public infrastructure.

Of course, potentially eligible borrowers must be able to satisfy the stringent credit-worthiness tests in place at IO to qualify for a loan. If they successfully meet the test, they'll be able to access lower-cost, more flexible financing than they otherwise would.

We believe that this program has made a significant positive difference in the creation of important public infrastructure across the province. I can give you some examples, which would include helping to finance over 80 water/wastewater projects in northern Ontario and providing more than \$780 million in financing for 62 social and affordable housing projects in places like Kitchener, Toronto and other centres, with a total value of \$1.1 billion. Some \$3.3 million was used to build a new fire station in Essex, replacing a 70-year-old station. Loans worth about \$40 million helped to build an affordable housing project in Ottawa that also serves as a model of sustainable development. And \$900,000 was used to help build a 30-unit residence for people experiencing persistent homelessness in Waterloo. These are all needed community assets.

Since 2003, the loan program has advanced nearly \$7 billion to finance projects in communities across the province. More than half the municipalities in Ontario—246 of 444—have made use of IO's Loan Program. Additional broadening of the loan program has added lower-cost financing for aboriginal health access centres, community health and social service hubs, and non-profit sports and recreation organizations to the list of eligible categories. These changes are aimed at furthering the government's priority to improve health care and social services for families.

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As with any program, as the loan program evolves and matures, there will always be lessons to be learned and

acted on. Infrastructure Ontario regularly reviews and improves the processes it applies in providing these loans. Due diligence and a capacity to work closely with clients are key features of the loans program. During the credit review process for a prospective loan, Infrastructure Ontario performs a range of legal reviews, as well as financial and technical due-diligence analysis. A successful loan application must meet IO's credit policies and guidelines. This minimizes the risk of a loan default and safeguards the integrity of the loan portfolio.

Beyond this initial client engagement and due diligence, IO will work closely with borrowers whenever there is a change of circumstance, to ensure the loans can be repaid and that the client remains on a stable financial footing. This precautionary stance was identified in the auditor's report as the watch list. The watch list is, in fact, an important feature of the program in that it provides for continuing close monitoring following an early warning of any potential challenges in the loan portfolio. It's a proactive, or preventive, management tool, and supports the goal of having every loan repaid. Only a very small number of clients wind up on the watch list, and I understand that borrowers on the watch list are all up to date in terms of their repayments.

I think I should provide updates on the four loans that were mentioned in the Auditor General's report, the first being the loan that was extended to MaRS to enable it to complete the west tower project, which was called phase 2. As a result of the 2008 global financial crisis, the major US institutional real estate developer contracted to build the MaRS west tower halted construction in 2009, leaving a partially completed substructure to ground level, work that by 2010 was at risk of degradation without resuming construction. The complexities involved and the unwillingness of the US developer, post-crisis, to resume its project meant that several years were spent to restart the project, which was ultimately accomplished with the support of a \$224-million IO loan.

However, the delays contributed to the attrition of anticipated tenants. The tower resumed construction last year, many years overdue. There was a clear risk that additional support would be needed to complete the fit-up and attract tenants. It was in this context that MaRS experienced difficulty leasing its new building and, without tenant revenue, repaying the loan.

A year later, I am pleased to tell the committee that the financial uncertainty surrounding MaRS phase 2 has been resolved. In December 2014, the government announced its intention to accept the MaRS phase 2 expert panel's advice and provide MaRS with an additional \$86-million, fully secured, repayable line of credit. While there were some who criticized the support of such a controversial project, the expert real estate advice was that only by completing the building would MaRS be in a position to attract high-quality tenants and put the building on the path to commercial success. Moreover, the government elected to hold firm to its vision for MaRS as a North American leader in life sciences commercialization, investing in life sciences innovation to help drive greater commercialization here in Ontario.



Fast-forward to today. The MaRS west tower is currently over 70% leased up, and MaRS has secured a strong pipeline of private sector tenants that will bring the building to over 90% leased in the next few months. As well, it is worth noting that U of T has taken a 20% equity stake in the west tower, which further reduces their overall government financial commitment.

Fifteen years ago, the dream for MaRS was simply a bold idea. Today it has turned into an innovation hub that has harnessed the entrepreneurial spirit of some of Ontario's most highly educated researchers. MaRS has grown to a highly sought-after space for start-ups, investors and groundbreaking science, fostering new models of collaboration. MaRS is now North America's largest urban technology park.

With the lease-up of the west tower, MaRS is about to embark on an ambitious next phase of growth. It is set to double its footprint to 1.5 million square feet, and become the home of over 200 organizations and over 6,000 innovators. Earlier this month, the global pharmaceutical giant Johnson and Johnson Innovation announced the launch of JLABS@Toronto, a life sciences incubator which will be housed at the MaRS tower. The first JLABS facility to be located outside the US, JLABS@Toronto will help cement Toronto and Ontario's position at the forefront of the global life sciences innovation revolution.

Other announced and future tenants in the building include Facebook, U of T, Ryerson, the University Health Network, Synaptive Medical, and LEAGUE. The MaRS west tower is poised to take its place as a recognized global leader in leading-edge life sciences research and medicine, including stem cells and regenerative medicine.

I'd now like to mention another loan that the Auditor General noted in her report last year. I'm referring to the Royal Conservatory of Music loan, which was identified also in the Auditor General's report as being on the IO watch list. As you know, the RCM is Canada's largest music and arts education institution and a seminal national cultural organization based in Ontario. In 2007, RCM obtained a loan through Infrastructure Ontario to support the construction of the Telus Centre for Performance and Learning in Toronto. All annual loan payments are up to date. However, RCM has indicated that in the aftermath of the great recession, fundraising has not met expectations.

As a preventive first step, the government is working in partnership with RCM to explore how it can respond to this challenging economic circumstance and identify opportunities to optimize its long-term financial health.

As for the two remaining loans outlined in the report, one is continuing to be monitored while the other is progressing well and is anticipated to come off the watch list in the near future.

The IO loan program continues to evolve as the government supports investments in infrastructure in a broad range of priority areas.

The Auditor General has provided useful advice that we have reviewed closely, and we have implemented her suggestions. I want to say: They're helpful and positive.

As the government's ambitious infrastructure renewal program unfolds, the ministry will continue to work with IO to support the building of infrastructure in Ontario.

I look forward to answering the committee's questions with my colleagues.

Now I'll turn it over to Infrastructure Ontario's president and CEO, Bert Clark, to offer a few opening remarks and offer insight into IO's work and how it is addressing the recommendations made by the auditor.

**Mr. Bert Clark:** Good afternoon. My name is Bert Clark, and I am the president and CEO of Infrastructure Ontario.

I'd also like to introduce Toni Rossi, divisional president for our real estate and lending programs.

Thank you for the invitation to speak with you today. I also want to thank the Auditor General. We believe the 2014 report recognizes the strength of the loan program and provides useful recommendations for areas of improvement.

IO accepted the recommendations when they were made and has implemented them already. More detail on the actions we've taken to date is included in the chart provided to the committee.

The purpose of our loan program is to provide broader public sector organizations with access to affordable, flexible financing so that they can make investments in important public assets. Our role is not to replace private sector lending or public sector grants. Our role is to make low-risk, low-cost loans to public sector organizations so that they can invest in their public assets.

To date, we've approved \$7.8 billion of loans. Of that, \$6.8 billion has been advanced to support approximately 1,900 renewal projects.

The loan program touches many small communities across the province.

While the original loan program was limited to municipalities, the categories of eligible borrowers have been expanded by the government over time. It is the role of government to define what categories of public sector borrowers are eligible, and it's the role of IO's board and management to define the credit policies and loan management protocols.

In terms of the current mix of projects, the vast majority of borrowing is still by municipalities and municipal corporations, as well as not-for-profit affordable housing organizations. The funds are used to make investments in public assets like roads, bridges, water treatment plants, long-term-care homes, police stations, fire pumpers, buses, recreation facilities and other important public assets.

Like any lender, we regularly update our credit policies and loan management protocols to reflect lessons learned and best practices. In fact, this kind of exercise has been under way and was completed this summer, and we believe our management approach will enable continued success of the loan program.



I would now ask Toni Rossi, the divisional president, to talk a bit more about our lending processes.

**Ms. Toni Rossi:** Thank you, Bert, and thanks to the committee for the opportunity to discuss our lending program with you today. My name is Toni Rossi, and I'm the divisional president of the real estate and lending division programs at IO.

The Auditor General's recommendations provided valuable and welcome suggestions about our processes and procedures, and all three of the recommendations have been implemented.

The report was helpful in another sense: by concluding that, overall, the program and processes are working well. That includes the following statements, and I quote from the report on pages 221 to 223:

"We found that the procedures in place were being followed ... and that further enhancements ... were under way...."

"IO's general risk assessment for municipal loans appears appropriate...."

"IO has strengthened its monitoring...."

"Loan losses have historically been rare and quite low."

And overall, "Generally, we found that IO's policies and procedures ... were reasonable and sufficient."

What I would like to do is give you more perspective on the due diligence that we use to administer the loan program.

The government, over the years, has determined which sectors are eligible for the program. Some of the eligible sectors are, as has been indicated earlier, municipal infrastructure projects, social and affordable housing, universities, hospices, non-profit arts training, aboriginal health access centres, non-profit sports and recreational organizations.

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Our ultimate goal in the program is to ensure that our borrowers are set up to succeed, that they deliver the public infrastructure that's so needed, and also that they are able to repay the loan. To this end, we have enhanced and modernized our loan management processes in order to serve the eligible sectors better. We have benchmarked our practices against other lending institutions outside of government and have updated policies and guidelines where appropriate. Guiding this exercise was IO's low-risk appetite philosophy, which provides a reference point for all lending policies and guidelines and the day-to-day credit authorizations.

Other specific examples of our enhancements to the loan program administration include the following:

—We split the underwriting and the credit risk functions. This provides enhanced governance and added due diligence. It also facilitates the smoother assessment of loan applications.

—We introduced standard risk rating models. This ensures a consistent base assessment of credit risk, and it's measured against IO's objectives to issue low-risk loans.

The policies and guidelines for the loan program are kept up to date. They do include the following recent improvements:

—the standardization of financial ratio calculations for all of the individual sectors that IO lends to;

—the requirement for external validation of pro forma assumptions;

—an expanded definition of roles and responsibilities to ensure that there are no gaps in IO staff accountability;

—the introduction of maximum loan-to-value limits on all non-municipal sector lending;

—the introduction of mandatory third-party real estate appraisals; and

—the expanded standard covenant requirements.

Borrowers wishing to secure an IO loan go through numerous steps that balance the need for efficiency with strong and effective due diligence. This application process starts with a legal review to ensure that the applicant is, in fact, eligible for the loan. Then prospective borrowers submit a loan application that includes project details. At that point, they'll be asked for supplementary information, which would include things like corporate and project financial information, their board member and executive experience summaries, construction budgets where applicable, a project management plan, and other information as required to assess creditworthiness.

All loan applications are structured and reviewed by our commercial underwriting team in accordance with our credit policies and guidelines. They then receive further independent review by our credit risk department. Depending on the size of the loan application and/or the borrower aggregate credit exposure, applications are reviewed and follow our delegations of authority for approval by the CFO, management credit review committee, executive investment risk committee, the credit committee of the board, and then the board as a whole.

Once a loan is approved, we then monitor the loan through the course of its life. The process of annual monitoring allows IO to have insight into its clients and their financial well-being. The intention of this review is to identify changes in our clients' financial situations in order to proactively address any issues or negative trends early. This allows the borrower to make adjustments to its business so that the loan remains in good financial health.

For the rare and exceptional circumstances when a borrower faces challenges, IO has recently implemented what we call the watch list. It is a proactive tracking tool that aids in the management of our loan portfolio. To be clear, the watch list does not indicate that a client has stopped repaying its loan, nor that the borrower will default. Rather, it is a preventative method to ensure that the borrower gets added attention in order for the loan to remain low-risk. The intention is to graduate loans from the watch list when they are back on a firm financial footing. This approach is not unique to IO. Credit unions, banks and other lending institutions around the world take the same prudent approach.



The types of steps that can be taken to assist clients are often very specific to the actual borrower, but some of the measures may include things like the following:

—We would look at a deeper review, leading to some optimization of their revenues and expenses.

—We would look at short-term waivers of covenants to facilitate changes that are being made within their business.

—We would look at restructuring the loan.

IO management works with its borrowers and it informs our board and the Ministry of Economic Development, Employment and Infrastructure of any new and emerging watch-list loans. IO does so in a way that respects the commercial confidentiality of the borrower when they find themselves on the list. With this in mind, it is prudent for me to inform you that IO is currently tracking and working with 10 watch-list clients. The total value of the loans currently on the watch list is significantly lower than at the time the auditor's report was done. IO is committed to working with these clients to create a pathway to firmer financial footing, but keeps the loans in good standing and supports the mutual success of both the lender and the borrower. In the 12-plus years of the loan program, only one client was unable to meet their obligations. To put that into context, this represents less than one tenth of 1% of the \$7 billion total amount of IO's loans and one of approximately 1,930 loan projects.

Let me conclude by reiterating the importance of the loan program and our approach to continuous improvement and rigorous due diligence. The great work occurring across sectors and the long-term success of these loans means that communities across Ontario benefit from modern infrastructure. IO loans have a meaningful impact on the residents of communities across the province.

Thank you for your time. Along with the deputy minister and my IO colleagues, I look forward to answering any of your questions.

**The Chair (Mr. Ernie Hardeman):** Thank you very much for your presentation. We'll start the questioning in 20-minute rotations. Mr. Potts.

**Mr. Arthur Potts:** Thank you all for your comments today, the introductory and the overview. All of us have a great sense of how important this has been to building infrastructure in Ontario. I know, as all other institutions do, you spend a lot of time in that due diligence assessment process. I wonder if you wouldn't mind taking us through more details about the steps that are followed. Maybe, Mr. Clark, you're in the best position to start this? Or I'll leave it to—

**Mr. Bert Clark:** I'd actually ask Ms. Rossi—

**Mr. Arthur Potts:** Take us through a little deeper sense of the due diligence process and whether it's different in the municipal sector and the non-municipal sector.

**Ms. Toni Rossi:** Certainly.

In 2003, as you know, the program began. We start with eligible borrowers. Many borrowers will come to us and ask whether or not they can receive a loan from IO.

We take a look at their eligibility factor first. We take a look at their legal status. If they are an eligible borrower, they work with our client relations team and try to start to get the information that we need to then create a loan application.

So that process and the types of information that we would look for are things like audited financial statements, historical cash flows, historical budgets. We take a look at their current and projected operating budgets. We would often take a look, obviously, at the project itself. We would take a look at the management of the borrower. We understand whether or not there are any environmental issues in the area that they are needing from what the actual project would be. We ask them to walk us through their need and their business model, and then we also look at the legal structure.

They're a little different in the municipal versus the non-municipal in that from a municipal perspective, that truly is more of a low-risk loan for us. The municipalities, on an annual basis, have to submit their financial information record to the Ministry of Municipal Affairs and Housing. They have a tax base, where it's more of a standard cash revenue that we can then access. On the non-municipal, we probably go a little bit deeper and we ask them for even further information about how their company is structured, how their business is set up, what other liabilities they have, and other debts or credits.

I'm hopeful that that has answered your question.

**Mr. Arthur Potts:** Excellent. Thank you very much.

**The Chair (Mr. Ernie Hardeman):** Mr. Dong.

**Mr. Han Dong:** First of all, I liked the presentation that gave us an overview on IO loan approvals and your explanation about the due diligence process.

Just for the record, I'm asking if all loans, before approval, have to go through that standard process.

**Ms. Toni Rossi:** Yes. For the record, again, we look at the eligibility of the borrower first, then we walk them through the full credit process, and then, for that loan to actually be approved, depending on the size of the loan, it would go through our delegations of authority. Loans that are above \$25 million go through the full process and right up to our board.

**Mr. Han Dong:** That's good. Being the local member, I've been paying a lot of attention to MaRS, because that's what I've been hearing about, both inside and outside of the Legislature. A lot of questions have been surrounding the loan itself provided by Infrastructure Ontario.

I guess my question is to Mr. Clark. Can you give us an update on the loan provided to MaRS by IO?

**Mr. Bert Clark:** I'm Mr. Clark, but I think Mr. Gherson is going to take that question.

**Mr. Giles Gherson:** There are essentially two loans that I think you may have referenced. One is a loan from IO to MaRS that was extended to MaRS in 2010, I think it was. Then, subsequently last year, MRI, the Ministry of Research and Innovation, took over that loan from IO and consolidated it with a new credit, and that is the loan



that MaRS, in effect, has currently with the government, which is with MRI.

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So the IO loan was paid out as we took it over. We did that for a variety of reasons. The main one was that the building was still in the process of being completed and the government had already provided a debt service guarantee to MaRS in the event that it would have some difficulty paying the large loan that it took from IO. Because this was a project that was being built there were no revenues; you had to finish the project, you had to lease it out, and then on that basis you would have revenues.

Since the project, as I explained in my opening remarks, was so delayed for the reasons that I mentioned, this was an unusual set of circumstances, and so to do that we had the loan from IO, we had a debt service guarantee that was being drawn down, and then you still had the need to finish the building—this was last year.

So what happened was that the government struck an expert panel of two people: Michael Nobrega, who was the former head of the OMERS pension system; and Carol Stephenson, who was the dean of the Ivey Business School at Western in Ontario. The idea was for them to give best advice to the government. Because at that point, the government had a number of options: It could walk away, sell this incomplete building—either just sell it and walk away or sell it and try to put covenants on the use of the building, that it would continue to be used for innovation. But those were really the two options—or take it over.

The advice that came from the expert panel—and these are two people who are very savvy in commercial real estate—was that you never sell, if you can avoid it, an incomplete structure. You're never going to see a value from it. So the advice we got was, "Finish the building and make it"—and their view was that there was a significant market there for a completed building of the very specialized kind that we were attempting to build.

So the government took that advice, took out the IO loan—because they also said, "You should try to consolidate the debt for securitization reasons. You don't want three or four different lenders, in a sense, competing with each other for the securitization of the structure." Their best advice was, "You want to complete it, you want a single loan and you want to then work out the securitization arrangements appropriately."

That's what was done. The government took out the IO loan, it bought out the interest of the US developer that had still retained an interest even though the project management had been taken over from them several years earlier because they had kind of walked away—for \$65 million. So we bought them out.

Then, there was the lease-up cost. One of these types of buildings—you can't really say you've got an asset until you've got the fit-up done for the tenants. Then you get the tenants and then you can actually get revenue and you're on your way.

**Mr. Han Dong:** There are more options.

**Mr. Giles Gherson:** So we basically followed that expert advice. As I say, I think it was—as it turns out, it would appear to have been a risk worth taking, because we're now at 70% lease-up and we expect revenues to start to flow as tenants move in next year and, therefore, the loan to start being paid off next year.

**Mr. Han Dong:** Good. I listened to your presentation and there was a mention about an \$86-million line of credit.

**Mr. Giles Gherson:** Yes.

**Mr. Han Dong:** Can you give us an update on how much of that \$86 million has been drawn down to date?

**Mr. Giles Gherson:** As of the end of August, about \$12.7 or \$12.8 million had been drawn down of that \$86-million line of credit, which was for fit-up. As tenants are signed on and MaRS commits to fit-up expenses to ensure that the space is fit for the tenant, that gets drawn down.

**Mr. Han Dong:** Another thing I hear quite often is people walking by and making a comment like, "It's a beautifully constructed building and it's been empty for a long time."

What's the occupancy rate right now? I want to point out that last year the minister said something like, "This building will be filled up fairly soon." I think that was in December. Can you give us an update on what's going on right now?

**Mr. Giles Gherson:** The current occupancy is about 35%, with a 70% lease-up, so the remaining 35%, the tenants that have now signed up, will be moving in in the course of the next six months or so. Then we are expecting a couple of announcements, I think, in the coming months that will take the lease-up to 90%. Again, there will be a time lag between when they sign the lease and when they actually enter the building. So 35%—people are actually in there.

The next 35% are moving in over the next three or four months, depending on what has to be done. For example, JLABS, which was quite a catch, is moving into one of the floors of the MaRS west tower. This is a very sophisticated incubator with very sophisticated equipment and very specific needs, so the fit-up for JLABS—which was, as I say, a tremendous coup for Toronto, to get the first JLABS outside the United States; there are three that are currently in the US—will take a while. They'll have a fit-up that will be done to their specifications, and then they will probably move in mid-next year.

So what's important for us is securing those tenants, and that is being done exactly on the schedule that the minister announced last year.

**Mr. Han Dong:** That's good.

You mentioned 90%. Can you just elaborate on that?

**Mr. Giles Gherson:** There are some prospective tenants who we believe are on the cusp of signing, but there are some issues that are still being worked out. They are currently in very close negotiations with MaRS, so we have every confidence that we will be able to announce something in the next couple of months that will bring the leased building to 90%.



**Mr. Han Dong:** Thank you for the update. Now I have some answers for my constituents.

**The Chair (Mr. Ernie Hardeman):** Mr. Fraser, you have about nine minutes.

**Mr. John Fraser:** Thank you very much for being here today.

I want to shift gears to another issue that was raised in the AG's report. The Royal Conservatory of Music was identified as being on the watch list. Can you give us a status update—either Mr. Clark or Ms. Rossi—as to where that loan is and whether they're current or not? Do you have any information in that regard?

**Ms. Toni Rossi:** Certainly. Perhaps I'll start and just say that the RCM loan is actually current to date, but it is still on our watch list, and because of that, we're working with that particular borrower.

Perhaps I can just ask Giles to comment a little bit on where we're at with that borrower, as the government is working with us on it.

**Mr. Giles Gherson:** There's not a whole lot to add, because, as Toni says, there is no issue right now, in the sense that RCM is fully current in its loan repayments.

One of the things the government has been looking at—this is not my ministry; this is the Ministry of Tourism, Culture and Sport, which oversees a wide number of cultural institutions. I think there has been an issue since the great recession. The environment has changed somewhat in terms of fundraising and the capacity and the ease with which you can get money from donations and fundraising activities. So the environment has changed, and I think it's incumbent on government to take note of that and to work, really, with cultural institutions to see how to best optimize their financial status going forward. That step is being taken currently with RCM as a preventive measure, to understand, over the next decade or so, how this very important organization will flourish. Obviously, the loan is an aspect of that, but it's only one aspect of that.

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**Mr. John Fraser:** Still on the Royal Conservatory of Music, it is a bit of an anomaly because it was a bit outside of what we normally would have lent money to. I can understand the decision to do that. Given that changed environment that you're talking about in terms of similar institutions that depend on that type of revenue stream, has anything changed in terms of how that's viewed, going forward? Anybody can answer this question. Are there more stringent rules in place, different rules, different types of assessment?

**Ms. Toni Rossi:** Perhaps I'll start. From an IO perspective, as the lender, one of the key things that we look at is the creditworthiness. When cash flows are dependent on fundraising and donations, it becomes a bit of a higher-risk loan. That certainly is one of the areas, over the years, that our credit policies have addressed. We take a look at those types of borrowers with the policy and procedure of making sure that they succeed in the long term, and donations only as sustainable cash flows are not the way to sustain a loan. We also ensure,

though, that they have some other type of asset that could be secured against. But I would suggest that that type of loan, if it had gone through the process today, would have had a different outcome.

**Mr. John Fraser:** Thank you very much, Ms. Rossi. Along the same lines, just shifting over to the not-for-profit sector in terms of how that's evolved over a period of time, for instance, I know that—well, first of all, IO loans are generally lower than a bank loan for that not-for-profit sector. How much, ballpark?

**Ms. Toni Rossi:** It's about 100 basis points, or 1% less. It's a combination of the interest rate, for sure, but also the term. So for borrowers, it's really important for them to have a longer term; for that type of borrower, having a longer term on their repayment plan is helpful.

**Mr. John Fraser:** And what has changed: what do you mean by a longer term?

**Ms. Toni Rossi:** Most banks or capital markets or institutions would, in those types of loans, have a five- to 10-year term and they would have a higher-risk loan and a higher interest. The IO loan tends to have a 30-year term or a longer amortization period, and therefore the borrower can have that comfort and knowledge of the amounts that are due.

So for us, nothing has changed. We have, in fact, allowed that sector to be able to provide fantastic services to the communities that need them. That was a sector that was, I would say—it could neither get monies from the capital markets nor the banks and it had a hard time providing the needed services. An IO loan allows that to happen.

**Mr. John Fraser:** Actually, in my riding of Ottawa South, I have two long-term-care facilities, one that was a redevelopment, that would not have otherwise happened. Another was the building of long-term or supportive housing.

But I also know, just into the next question, that the due diligence that went into that, because I had some interaction with the leadership of both of those organizations, I thought was fairly—because there were some complications around land and the ownership of land and some easements just in relation to covenants. Can you say a little bit about how that lending for the not-for-profit sector has evolved over time in terms of measuring risk and trying to get it to work?

**Ms. Toni Rossi:** Of course. From a due diligence perspective, we have really taken a look at that sector—and not just that sector but all of the sectors that we have—and put credit policies in place that will allow and keep our low-risk appetite. So we start, frankly, with a very low-risk philosophy.

One of the key things that occurred over the last year or so is stabilizing that low-risk appetite statement. Everything flows from the low-risk appetite statement. We want the borrower to succeed. We want to ensure that they're able to provide the services, and we also want to ensure that they are able to pay back their loans. In so doing, we've created very good structure on the credit policies themselves. They have to have a certain loan-to-



value. They have to have a certain debt service coverage. That allows us and the borrower to know that they will be able to succeed in the long term.

So I think one of the key things, from a lending perspective, is we've tightened all of our credit policies and put them in through a very transparent and due-diligent process. Having said that, I think it's still very important that that sector understands that, is an eligible borrower and will be able to provide the services to the communities that they need.

**Mr. John Fraser:** Thank you very much.

**The Chair (Mr. Ernie Hardeman):** You've got just less than a minute left.

**Mr. Han Dong:** Just coming quickly back to the RCM, how big was the loan, if you have a number there, and why was this loan provided? I just want to bring it down to the local level. Why was this loan provided to RCM at the time?

**Ms. Toni Rossi:** Similar to what we do with all of our borrowers, we looked to see if they were eligible. They were an eligible component from government. They went through the same process and diligence. We looked at the project that they were going to be facilitating—it was a construction project that they were working through—and we worked through their loan application like we would anybody else. It went through our process and it went through our committee reviews and it went through the diligence of going right to our board.

I believe you also asked the—

**Mr. Han Dong:** The number. If you have it, fine; if not, I'll get it later.

**The Chair (Mr. Ernie Hardeman):** Okay. With that, we'll go to the official opposition. Mr. McNaughton.

**Mr. Monte McNaughton:** Thank you very much. I'm a new critic to infrastructure, and I just wondered, I guess just for my interest, if you could just explain what has happened with the loan program since 2003—a quick overview of how it works and some of the changes.

**Ms. Toni Rossi:** Certainly. Starting in 2003, the loan program initially began with lending to municipalities. Over time, and with varying government objectives and policies and needs, we've expanded that program to include a number of different eligible borrowers.

What we have done is passed around a deck. What I might do, if you will, is have you turn to page 8. I think this graphic on page 8 certainly provides a very good chronology of the various eligible borrowers that have come on to our loan program over time, and the different organizations that have been involved in administering the loan program over time.

It started in 2003 with OMEIFA when it was established, then in 2004 it became OSIFA—again, most of that time period was for the municipal loans. In our history and actually the next 25 years of the entire operation of that program, about 80% today is between municipal loans and municipal corporations and those low-risk covenant loans.

In 2004, as you notice, the government extended it beyond municipalities to municipal social housing and

long-term care. In 2005, we continued to expand it, into the culture, tourism and recreation area; 2006 is when IO merged—I'm starting to get into the structure of how the organizations that were administering the loans then developed through—with OSIFA.

In 2006 it expanded further again to municipal corporations, non-profit long-term-care homes and hospices. The loan program then expanded again in 2008 to include things like non-profit arts training institutes and local services boards. Then it allowed for social, affordable and supportive housing providers as well.

The last probably large thing that occurred was in 2011. IO, Infrastructure Ontario, then merged with ORC, the Ontario Realty Corp., and it continued on as that organization to administer it. Then, finally, to date, we've expanded it one more time, in 2011, to include community health and social services hubs, aboriginal health centres and non-profit sports and recreation organizations.

Over time, this program has, in fact, allowed the varying key critical services within our communities to be able to provide the infrastructure that is needed.

**Mr. Monte McNaughton:** Thank you very much. Obviously, reflecting upon the Auditor General's report, there's a lot of talk about transparency and accountability, especially around the MaRS issue. What has been put in place to ensure that there is more transparency and more accountability in IO?

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**Ms. Toni Rossi:** I would start by saying that IO's values are ones of transparency and due diligence. In our company, we have a common saying: that we're very proud of what we do and we do it well, but we're never satisfied. In that never-satisfied continuous-improvement spirit, back in 2012, we went out and asked a third-party consultant to take a look at our processes, to come in deep. They had various recommendations, and we provided that to the Auditor General when they were in and taking a look at the program.

What has come out of that, of course, is just good strengthening of policies themselves by sector. Because the original loan program started with municipalities and because municipalities were a fairly stable cash flow and low-risk—and then we added sectors over the years—it was important to start to take a look at those sectors as an industry themselves.

**Mr. Monte McNaughton:** So what would specifics—

**Ms. Toni Rossi:** A sector-specific would be our affordable housing and social housing: How is that particular sector being looked at when the credit application comes in? Does it have the right securities behind it? Will it be able to have the right cash flows in the long term? How are we going to ensure that that borrower will be able to pay? We put those policies in place.

The other thing that we have done: As in any institution, technology plays a key component of it. We had a loan system that monitored, and we put our information in it. We've upgraded that system to actually take a look and ensure that any covenants that were maybe non-



standard were being monitored and tracked. We've put checklists in place to keep those loans understood.

On an annual basis, one of the key things that has occurred from a monitoring perspective that I think has allowed our proactive ability to look at the health of an organization is that we put in an annual review. We now monitor all of our non-municipal loans through that annual review. We take a look at their audited statements; we see whether or not they've actually been able to meet the new credit policy and creditworthiness.

I'm hopeful that I've answered the question. Those are a couple of the items—

**Mr. Monte McNaughton:** More on the transparency side, too: What have you done so the public can feel comfortable in what you're doing, and we don't see some of the issues we've seen recently?

**Ms. Toni Rossi:** I think that one the key things—if you take a look at our website, it's very transparent in the sectors that we lend to, the information that is needed from them, the interest that we put through and the application. But more so, when applications come in, they go through our underwriting team. They will walk through what I've already spoken about, which is the diligence of collecting all that information. They'll put them through a scorecard; they'll put them through our credit application process. Our credit review team will take a look at those applications again, with a further lens. Depending on the size, from a transparency perspective, it gets right through to our board.

On a monthly basis, we monitor any loans that we see that might not be meeting that financial criterion that we need through that annual review. We let our board know; we let MEDEI know. From a transparency piece, I think the organization goes to a lot of lengths to ensure the success of the borrower and the success of the project by keeping great monitoring and great diligence on it—and telling people. We walk through our committees and walk through our board.

**Mr. Monte McNaughton:** What percentage are you saying now of MaRS is leased? Is it 70%? Is that the number now?

**Mr. Giles Gherson:** Yes, 70%.

**Mr. Monte McNaughton:** Have you done a long-term study showing how and when Ontario will recover its funds?

**Mr. Giles Gherson:** We have a schedule that we anticipate being met, which is that MaRS will start repaying its loan next year, as leased tenants go into the building and start paying rent. There will be a revenue flow. Next year will be an important year. Midway through the year is where we anticipate that we will start to see revenue start to flow.

Beyond what we have now—

**Mr. Monte McNaughton:** Sorry; what type of revenue? Can you give us an idea of dollar amount?

**Mr. Giles Gherson:** Well—

*Interjections.*

**Mr. Giles Gherson:** To be honest, I can get you that. We don't have that right now, but it should be easy to get.

The schedule that we negotiated with MaRS was that in 2019, the building would be 60% commercially refinanced.

**Mr. Monte McNaughton:** That's 60%.

**Mr. Giles Gherson:** Yes, 60%. The remaining 40% would be paid back in the succeeding 16 years.

**Mr. Monte McNaughton:** So 40% would be paid back over 16 years.

**Mr. Giles Gherson:** Sixteen years, to 2035.

**Mr. Monte McNaughton:** Can you tell us what the ministry would be spending on interest fees on MaRS, annual interest charges? Do you know that number?

**Mr. Giles Gherson:** We're not paying any interest charges as such. MaRS will pay us for all of our costs. The loan that MRI has extended to MaRS encompasses all costs. All of that—

**Mr. Monte McNaughton:** So do you know what that dollar amount would be?

**Mr. Giles Gherson:** The total dollar amount was announced last year as \$379 million.

**Mr. Monte McNaughton:** Just one final question before my colleague Ms. MacLeod asks some questions.

I noticed in the remarks regarding the lending program, I think it is, the one that Ms. Rossi discussed, one of the paragraphs says, "With this in mind, it is prudent to inform you that IO is currently tracking and working with 10 watch-list clients. The total value of the loans currently on the watch list is significantly lower than at the time the auditor's report was done." Would you be able to let the committee know who those 10 clients are?

**Ms. Toni Rossi:** When we're working with our borrowers, one of the key things—we normally don't like to disclose publicly clients that are on our watch list, because we're working with them and through them.

I can say, though, that the significant reduction was the MaRS loan. I can also say that the average loan amount is in and around \$8 million that most of our loan clients have, and so even though there are 10 that I commented on right now, the watch list is really a fluid document. It's a snapshot in time. At the time that the Auditor General was in, it was four. Prior to that, it was a little larger. We had moved many off and now it's 10.

I think the prudence and the proactive approach that we've put into that watch list has ensured and allows that we keep that low-risk tolerance there. We want our clients to succeed. At the end of the day, it's very important that their infrastructure projects get done and it's very important that they deliver the services. So the watch list, to us, is an internal, proactive tool.

**Mr. Monte McNaughton:** Are you saying that, say, for the 10 watch-list clients, the total of the loans would be about \$80 million, approximately?

**Ms. Toni Rossi:** Yes. The total current on our watch list is in and around \$190 million. On average, most of the loans are about \$8 million. Of course, we know that one loan that's on there with RCM is larger than that, so that is the bulk of that watch-list amount.

**Mr. Monte McNaughton:** Thank you.



**Ms. Lisa MacLeod:** Thanks very much. Just to continue on with respect to the watch list, as Mr. McNaughton was talking about, the list that we have before us is what was outstanding as of March 31, 2014, and there were two older loans to not-for-profits which combined for \$75 million. Can you indicate to us today whether or not those two—I would expect that they are not paid off, but are you starting to receive any revenue?

**Ms. Toni Rossi:** Yes. Of the other two that were on, one we expect to be off the watch list—which means that they are on financial footing—by December.

Our process from a watch-list perspective is to monitor them over a 12-month period. We certainly don't just leave any borrower—because we've taken a look at them on an annual review, we want, then, the next year's annual financials and we'll monitor. So we're very pleased that one will be coming off of that, and I can comment that, over the past, that has been a common theme in that our watch list is a proactive tool. It's a snapshot in time. We work with the borrower through that monitoring process, and really the goal is to graduate them off the watch list.

**Ms. Lisa MacLeod:** In terms of your high-risk loans, do you notice, in terms of those that are on the watch list, I guess—because you can be a high-risk loan and not be on the watch list, I suppose. Is that possible?

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**Ms. Toni Rossi:** Our overall philosophy is a low-risk appetite. Just from a statement perspective, our low-risk appetite statement is that in protecting the province's capital, IO has a low tolerance for credit risk and loan losses when providing infrastructure financing to eligible borrowers. So we really do use that as our guiding mantra for our borrowers.

**Ms. Lisa MacLeod:** When I look at this deck that you referred to earlier, and you look at page 8, for example—Infrastructure Ontario: I was actually on the committee eight, nine, a zillion years ago for your first appearance at this committee. The more things change, the more they stay the same, because here I am; back to the future. So things have obviously changed quite a bit since you were incorporated in 2005. It was 2006 or 2007 when Infrastructure Ontario was here when I was previously on the committee.

You've expanded now to community health and social services hubs, aboriginal health centres, and then this is, I guess, where you're getting into not-for-profit sports and recreation organizations. Do you find that some of the more newly added groups since 2011 have a higher risk to be on the watch list, given that they're not a ministerial—they don't have that steady stream of funding from a government?

**Ms. Toni Rossi:** What I will say is that the government does provide the eligible borrower list to us, but each one of those borrowers still goes through a process. There are a number of prospective borrowers that have come to us that actually have not received IO's loans. So back to—

**Ms. Lisa MacLeod:** So it's not a guarantee.

**Ms. Toni Rossi:** It's not a guarantee.

**Ms. Lisa MacLeod:** I think that's really important for people to recognize.

**Ms. Toni Rossi:** It is absolutely not a guarantee that every borrower that comes through is granted a loan. It is not a guarantee because we go through that whole process of ensuring that they are creditworthy. I will say it again: I'm very proud of the loan program, and our goal is to ensure that that borrower succeeds, because if they don't succeed, then something has gone wrong. We've put into place all of the checks and balances and the varying diligence that is needed from a debt service ratio. We've done a very, very large amount of work with third parties as well to ensure that our processes keep us at as low risk as possible.

**Ms. Lisa MacLeod:** May I go back to MaRS for just a second? I don't want to belabour it, but I just want some clarification. They're high risk at the moment. Obviously the auditor has looked into this—

**Mr. Giles Gherson:** They're not.

**Ms. Lisa MacLeod:** They're not high risk at the moment?

**Ms. Toni Rossi:** They're not on our list.

**Mr. Giles Gherson:** There actually is no IO loan currently to MaRS. The government took over that loan last year.

**Ms. Lisa MacLeod:** So if the government took over the loan—which was highly publicized, so forgive me on that one—with respect to that loan—you did say you were getting revenue back in, probably in December, right?

**Mr. Giles Gherson:** The revenues are currently flowing in the sense that 35% of the building has tenants who are currently in the building, occupying their space and paying rent. But the next 35%, which takes you up to—we're leased up to 75% now. The remaining are moving in over the next six months.

**Ms. Lisa MacLeod:** So the \$379 million, which you said the interest fees are a part of: Do the interest rates go up from you to MaRS over a period of time? You're not receiving that money at the moment, but when it starts to flow—were they given a penalty, in other words?

**Mr. Giles Gherson:** No, there's no penalty. We lent them money at a certain rate, which was a pretty good rate, because it was essentially the government borrowing rate, although I think there was a—

**Mr. Bill Mantel:** Plus a mark-up.

**Mr. Giles Gherson:** Plus a mark-up, so it actually wasn't maybe as great a deal as I'm saying.

So that package was the sum total: "There's what's available to you, the \$379 million." Everything has to come out of that. We took over the IO loan, which was \$224 million, so that's baked into that. We bought out ARE, which was the builder, for \$65 million. Then there was the last part we talked about, which was the \$85 million for lease-up.

**Ms. Lisa MacLeod:** I think my colleague has a quick question to actually adjoin to that.

**Mr. Giles Gherson:** Sure.



**Mr. Monte McNaughton:** Just a quick question, because I know we're almost at the end. I just wanted to ask: There have been media reports that have surfaced recently about—is it Mr. Georgiou?—involving a fraud case at York University. Can the members of the board clarify what information they had about the involvement in this fraud case? Is there any reason that the dismissal of this employee was covered up by then-CEO David Livingston?

**The Chair (Mr. Ernie Hardeman):** I think that maybe that's not in the auditor's report. If the member would get to the auditor's report now.

**Mr. Monte McNaughton:** Well, I think this is about Infrastructure Ontario. I think this is important for the committee to hear about what the board knew about this potential employee there in the fraud case.

**Mr. Han Dong:** Wrong committee.

**Mr. John Fraser:** Mr. Chair, a point of order—

**The Chair (Mr. Ernie Hardeman):** The member will get back to the auditor's report.

**Mr. Monte McNaughton:** No more questions. Thank you.

**The Chair (Mr. Ernie Hardeman):** Did you have a point of order?

**Mr. John Fraser:** The point of order is just that, clearly, the Chair has ruled, and let's move on.

**The Chair (Mr. Ernie Hardeman):** Did you have other questions?

**Mr. Monte McNaughton:** No more questions.

**The Chair (Mr. Ernie Hardeman):** To the third party.

**Mr. Taras Natyshak:** Thank you very much, members, for being here today, and thanks to our Auditor General for her work on this file and for her presentation this morning—albeit, it was quite brief, and this is some really complex stuff here. I might go all over the map, and some of my questions might be a little bit redundant in terms of what you've already heard.

From what I read and what I heard from our Auditor General this morning, the program is, by all accounts, quite successful in terms of the metrics of how much you're extending out there to municipalities and those qualified borrowers, and the repayment schedules, the fact that you really have very, very low insolvencies—measures of bankruptcies or people not paying you back.

What is the trend line in terms of municipal take-up for the program? Do you see it expanding? Are they learning more about this program? Do they want more access to it? Are you extending yourselves more to them? What are you doing to promote yourselves to municipalities that are, of course, in the position of needing more money, given the huge infrastructure deficit that we have?

**Ms. Toni Rossi:** I'd be pleased to answer that. Actually, we spent a lot of time with our municipalities. We actually service more than half of them in the communities across Ontario right now. There are 239 that are current and repeat clients. We have a number of our municipalities that have been with us right from 2003, in

fact, and we have been providing all kinds of infrastructure needs to that community.

On what we do to promote, there are many conferences and municipal trade shows—AMO is one that comes to mind—that our team would go to, where they would ensure that municipalities know about the program. Certainly, our client relations folks are out within the regions, and they talk to the municipalities all the time. Our website is a great tool for us; it has a lot of information on how to access the program.

Your other question on the uptick—I would say, since 2003, we continually expand. There are more and more municipalities that are utilizing the program, as evidenced in that we've got over half of Ontario municipalities as part of our client list.

**Mr. Taras Natyshak:** So is it the largest-growing component of your borrowers? We've got a good little pie chart here, if I can find it. It looks as though they make up 40%. Am I correct in that?

**Ms. Toni Rossi:** The municipalities themselves are closer to 70%. If I add in things like the municipal service boards and other municipal corporations, it gets closer to 80%.

**Mr. Taras Natyshak:** Okay. Are they still continuously growing? There we are: 64.4%. They're growing. Are you feeling more demand on the other side, the not-for-profit side? What do you see growing there?

**Ms. Toni Rossi:** Our municipal book continues to grow, and we continue to provide most of our loans to the municipalities. I would say, yes, that the other sectors are also coming through as potential borrowers. Not all of the other sectors' borrowers get a loan. The trend for municipalities is that—because it is such a low risk—they tend to be able to access the loan program and receive a loan through that process and diligence because that has been in place for a lot longer, they are a much lower risk and we do have a tax-based revenue stream.

**Mr. Taras Natyshak:** Do you have a cap on the program?

**Ms. Toni Rossi:** By sector, we do. We have not yet hit any of those caps.

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**Mr. Taras Natyshak:** How much more room would there be, for instance, for municipalities?

**Ms. Toni Rossi:** What I might do is—I don't know that exact number right now and I want to get you the absolute correct information. I'm happy to bring that back.

**Mr. Taras Natyshak:** On an annualized basis, what is it? How much are you lending?

**Ms. Toni Rossi:** Our target annually is anywhere between \$450 million to \$700 million—again, most of that to the municipalities. So I would say about \$500 million, \$600 million goes to municipalities.

**Mr. Taras Natyshak:** At 1% interest on average, what you're receiving, are you making money after your costs to operate the program?

**Ms. Toni Rossi:** Our intent is not to be making money.

**Mr. Taras Natyshak:** Does it?



**Ms. Toni Rossi:** Our intent is to ensure that the needed programs are put in place and that municipalities and our borrowers are able to put their infrastructure in place. Our intent is to cover our costs always, and it is critical that we do.

**Mr. Taras Natyshak:** Has the program made any money, regardless of your mandate?

**Ms. Toni Rossi:** Over the years, the program has made dollars, but let's not forget that there need to be provisions, and the Auditor General was very good in her report in talking about how IO ensures that we provision for any loan. For any loan that might have a potential loss, we need to ensure that we are able to absorb that loss.

**Mr. Taras Natyshak:** The recommendations that the Auditor General made—it seems as though you've been quite swift in implementing them, and kudos to you. It seems as though they're a buttress to your already prudent stewardship. But I would want to know, do these affect you—you borrow money from private markets, from capital markets, right? That's what happens?

**Ms. Toni Rossi:** Yes.

**Mr. Taras Natyshak:** At preferred rates? You're borrowing from banks or you're borrowing from the province of Ontario, who is in turn borrowing from banks?

**Ms. Toni Rossi:** Through the OFA. We work with the OFA.

**Mr. Taras Natyshak:** Okay. So these recommendations that have been implemented, do they affect your credit rating or your solvency in the eyes of the province?

**Ms. Toni Rossi:** In the eyes of the province?

**Mr. Taras Natyshak:** Yes. Do they improve your standing, I guess, is my question. The things that you've put into place would make you a more secure vehicle for receiving money and then, in turn, lending it out—or is it just something that is standardized that you've done just because you feel as though it's best practice?

**Ms. Toni Rossi:** I would suggest that the processes and credit procedures we've put in place are bringing us closer to best practices. It's another standard due diligence. We were very confident and comfortable with what the Auditor General had to say, back to our culture of continuous improvement prior to. We already had gone through a number of the areas that we felt were important to enhance, and we'll continue to do that.

**Mr. Taras Natyshak:** In the continuation of doing that, how many are left of the Auditor General's recommendations? How many are left outstanding, what are they and what are the challenges to you implementing them?

**Ms. Toni Rossi:** None are left. We've taken all three of her recommendations, welcomed them. I think what we provided was not only our management response, but also the areas that we've completed through. I'm happy to walk you through the chart that was provided, but all of the recommendations were, in fact, completed and implemented and operationalized. Again, we'll continuously improve them over the years, but we were very

pleased to be able to have the ability to put them into place.

**Mr. Taras Natyshak:** To the watch list: You mentioned that there are currently 10 that are on the watch list, 10 organizations. Were there any similarities that you found between those organizations, the way that their loans were structured or their organizations, their exposure themselves? Are you finding anything there that may give you cause for concern to again extend future loans to similar-type organizations?

**Ms. Toni Rossi:** I would say a big part of what came out of not only our Auditor General's recommendations has helped strengthen the structuring of our future loans. So absolutely, through the continuous improvement process, and when you do an initial loan, early days, things will change, environments change; the borrower's financial statement and financial commitments change. I would say that with our credit policies that have been put in place, the trending that we have seen, we will be able to have our watch list come down.

One of the key things that I think is important is, because we do annual reviews and because we've taken a look and gone to that proactive measure, we're going to start seeing a number of organizations that will come on and then come off. It's a really good health check for us to work with them throughout their life.

**Mr. Taras Natyshak:** Of the eligible borrowing sectors—there are 10. Are there any more that you know that are proposed or in the pipeline that the government may ask of you to extend terms to? And are you comfortable with the 10 under the umbrella of the Ontario loans program? Do you think it's maybe a little bit too much exposure, or would you like to see it condensed into the ones that offer you that minimal risk?

**Mr. Giles Gherson:** It would be better for me to answer that, because the 10 eligible categories were all mandated by government, so that's a matter of government policy, as I think was identified over the course of years. Toni went through the list from 2003, when the program started, right through to 2011, when the aboriginal health loan extension was mandated. You had the list of essentially 10 categories that were set up. That's a matter of government policy.

I think it would be difficult to speculate as to whether, at this point, the government has any other broad categories in mind. Certainly, I can't say that there are any that are necessarily on the cusp of being mandated, although I think it's fair to say that government does from time to time give consideration to possibilities. So I wouldn't rule it out, but the list that you see before you is the list that the government has, through its policy process, decided that it wanted to see IO loans extended for.

**Mr. Taras Natyshak:** I'm kind of saddened to hear that the Royal Conservatory of Music is experiencing some hardship. I went through the Royal Conservatory of Music. It's a wonderful institution, really. Were they also in receipt of private sector loans at the same time? Did they apply? Or is that ever the case? Is that one of the



criteria, that they have to be solely under the stewardship of an IO loan and not—

**Mr. Giles Gherson:** Can you have two types of credit at the same time?

**Mr. Taras Natyshak:** Yes.

**Mr. Giles Gherson:** Commercial credit and IO?

**Mr. Taras Natyshak:** Yes. Is there anything like that?

**Ms. Toni Rossi:** Again, the eligible borrower has their own financial budgets and statements, and they can have other debts and debt service that they have to satisfy.

**Mr. Taras Natyshak:** In the case of a default on that loan, is IO at the same level of repayment that a private sector institution would be? Do they have to repay you at the same rate? There's no preference given to private sector loan money?

**Ms. Toni Rossi:** I'll get that actual fact for that one. But I will say, in our credit policies, one of the key things that we ensure as one of the items that we take a look at when we go through the due diligence is where we are on the list of repayment. In our credit policies, we always like to be first and, in some cases, second.

**Mr. Taras Natyshak:** What is IO's exposure to MaRS right now at this moment?

**Mr. Giles Gherson:** Zero.

**Mr. Taras Natyshak:** It's a little bit confusing, that transfer that happened through the ministry. I've heard you reference that you will be receiving money. Who are you receiving money from? If they've already paid off that loan, do—

**Mr. Giles Gherson:** No, they haven't. Let me explain it. It is confusing; it is complicated. Basically, what happened was that IO had extended a loan to MaRS. The project was burdened by delays that I don't believe were really of their own making, but was really a product of the deep financial crisis—and in the US, the real estate crisis—of 2008 to 2010. The contractor that had been chosen, which is actually one that has been used around the world for these specialized types of buildings, was heavily exposed in the US during the crisis and essentially opted to cease construction when the substructure had been completed. This was a challenged project after the project had been stopped.

A loan was extended by IO. There were all kinds of issues around the contractor and what their role would be, how they would continue, and if they would continue. There was a desire to see them continue in some fashion. They are specialists in this type of construction. This is not just some office building; it's got labs built in. It's a very specialized building.

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Once all those negotiations had taken place, time was passing, and construction didn't really resume until 2013, I believe—early 2013, or was it 2012? It was in that realm, much delayed. Through the course of this, the IO loan—it was never foreseen that it would take this long to complete the building, because the assumption was: Get the building built, line up the tenants, they start paying rent, they pay their loan back.

Because of the uncertainty around the resumption of construction and therefore the buildup of the tenant list, then moving all of that, a debt service guarantee was extended, for IO's comfort, to IO by the province. By 2014, I think it was, this debt service guarantee was starting to be extended to IO, because they essentially didn't have the cash flow—MaRS didn't have the cash flow to pay their loan.

At a certain point, like this time last year, the question was: What do we do? The building is completed, but nothing has been done about fit-up costs, which is important, because you've basically got a shell—more than a shell, but not much more than a shell; it's not like a regular commercial tower. Who's going to pay for the fit-up? If MaRS doesn't pay for the fit-up, how is it going to attract tenants? The tenant list that had previously been put together, years earlier—many of them had wafted away. They had other things. They had other places to go. So the question was: How do we stabilize this?

The government, to be honest, was uncertain at this time last year as to really what its best course of action should be. Should it be to simply cut loose and say, "We're done with this. We gave it our best shot. We had huge ambitions for MaRS, in terms of a life sciences incubation centre and all the rest of it. We've got two towers. Let's leave it at that, and let's walk away." The government felt that that would not be optimal, because the government policy is that we are positioning Toronto as a Boston: We are the number two life sciences centre in North America, so

**Mr. Taras Natyshak:** I'm going to try to get a couple more questions in here.

**Mr. Giles Gherson:** Sure.

**Mr. Taras Natyshak:** You're speaking, in retrospect, from your involvement in MaRS

**Mr. Giles Gherson:** I've only been here a year, so my involvement is—

**Mr. Taras Natyshak:** So, as of right now, not only IO's financial exposure to MaRS is gone, other than the payments you'll be receiving from the ministry of innovation

**Mr. Giles Gherson:** MRI, which I am the deputy minister of, extended a loan to MaRS. MaRS will be starting to repay its loan to us next year. They will refinance 60% of that loan in 2019.

**Mr. Taras Natyshak:** Initially, the terms of the loan from IO to MaRS were based on an 80% occupancy rate. You're projecting 75% within the next couple months

**Mr. Giles Gherson:** Ninety.

**Mr. Taras Natyshak:** I've heard a bunch of different numbers thrown around today, so I don't know.

**Mr. Giles Gherson:** We are at 70% now, and we're projecting 90%.

**Mr. Taras Natyshak:** You're at 70% now. Is 70% enough to cover the interest payments on the loan from MRI? Does it get you at least to that threshold?

**Mr. Giles Gherson:** I think 70% is pretty close, in the sense that they will have the cash flow to start repaying their debt to the government on the schedule we have



**Mr. Taras Natyshak:** But that has to happen within a couple of months.

**Mr. Giles Gherson:** —but what we really want is to commercially refinance 60% of that debt in 2019. For that to happen, we need more than 70%. That's why we're fairly confident, as we look toward 90%—there's now actually quite a long list of private sector tenants who would like to come in. We actually don't have room for the list of tenants who would like to come in.

**Mr. Taras Natyshak:** How much is that fit-up worth? What's the cost associated with the fit-up?

**Mr. Giles Gherson:** Well, the budget we put aside was \$85 million.

**Mr. Taras Natyshak:** That's on top of the initial loan?

**Mr. Giles Gherson:** That was on top of the \$65 million to buy out ARE, and that was on top of the \$225-million IO loan.

**Mr. Taras Natyshak:** I heard—and I think I even asked a question of the minister—that there was a large portion of that building that has been dedicated to a Zen garden or a Ping-Pong table. Is that a part of the fit-up costs?

**Mr. Giles Gherson:** No, that's a table you can bring in or take away at your will.

What's the square footage of that building?

**Mr. Bill Mantel:** It's 760,000.

**Mr. Giles Gherson:** So there are 760,000 square feet, of which I think probably four square feet might be the—

**Mr. Taras Natyshak:** For a Ping-Pong table? A Ping-Pong table is a little bit bigger than that.

**Mr. Giles Gherson:** Okay, maybe six.

**Mr. Taras Natyshak:** If you're going to have a good game, I imagine.

**Mr. Giles Gherson:** It's mini Ping-Pong. No, it's a table that was put in there—

**Mr. Taras Natyshak:** But are you confident overall, again, that the fit-up that's happening right now—that the management of that fit-up is actually going to entice people—

**Mr. Giles Gherson:** The tenants.

**Mr. Taras Natyshak:** The tenants to come in?

**Mr. Giles Gherson:** We have 70% signed up. We have another 20% on the verge of being signed up. Even if those prospective tenants walked away, our problem now is that there are more private sector tenants that are innovative companies that would like to be in there than we have space for.

**Mr. Taras Natyshak:** That's an exciting problem.

**Mr. Giles Gherson:** It's an exciting problem. My story here today is that that problem of last year has been turned around.

**Mr. Taras Natyshak:** I truly hope so.

**Mr. Giles Gherson:** And it has taken a lot of work on a lot of people's part.

**Mr. Taras Natyshak:** I'll cede my time. Thanks, Chair.

**The Chair (Mr. Ernie Hardeman):** Okay. Thank you very much.

The next round will be 15 minutes per caucus. We'll start with Mr. Rinaldi.

**Mr. Lou Rinaldi:** Again, thank you for being here today. I don't want to rehash a lot of what we heard. I know you were pretty thorough.

I'll just go back, with a little bit of my municipal background: When OSIFA came to life, according to your chart, in 2004, I was with infrastructure at that time. I know that the communities in the riding I represented—how much they appreciated to have that source—to have a bank, I guess, for a lack of a better word—for their infrastructure projects. One of the things that we heard over and over again—and we still hear it today—is that for different infrastructure programs that the government has always required some type of partnership from the municipality, even if the federal government comes on board. That was their challenge, especially with small municipalities. They really have limited tax space and not a very long plan.

With that in mind, I wonder if you could just give us some sense of, or walk through one or two projects that were a success on your part. For me, I'm the sort of person that likes to see, feel and touch; that gives me a bit more reality of really what's happening on the ground from your behalf.

**Ms. Toni Rossi:** I'd be pleased to take that one. In fact, I may direct you back to the deck that we did, because for me nothing speaks louder than photographs. We have thousands of projects that we can talk to, but we've provided a few in our deck. If I have you refer to page 19—and this gives you a sense of the breadth and the types of infrastructure projects that are being done within municipalities and within communities across Ontario. My ongoing favourite is municipal infrastructure in general, but we've got lovely fire trucks and fire stations that are being rebuilt in the county of Brant. We had the clean water and sewage treatment system, and we've got a great picture of that. We've got a great picture in the town of Innisfil, providing, if you'll notice, varying sized loans so that they can do things like—they did their Cookstown library; they did their town hall; there are lots of roads and bridges.

I know specifically you were talking about municipalities. I'm happy to talk through more of them, but the next few pages also give a breadth of the other types of loans that we have done: Nipissing University and Trent University and the work that they are doing with their forensic research centre; Parkdale United Church, from a housing perspective; and the needs and certainly what the communities are actually benefiting from these loans. The YWCA on Elm Street in Toronto: This was a 300-unit affordable housing project that works with women with mental illness and with aboriginal women and with women over 50. From a female perspective, this one kind of touches me personally.

The last page, on 22, if you take a look at our Blue Water Rest Home, which was in Zurich, Ontario, an \$8.7-million loan; there's a great picture there also of Chester Village, which was a redevelopment in Toronto.



But we've got many, many loans all across the municipalities that we are very proud of and very happy that those communities are being serviced with the needs that they have.

**Mr. Lou Rinaldi:** Great. Thanks very much.

**The Chair (Mr. Ernie Hardeman):** Ms. Malhi.

**Ms. Harinder Malhi:** Thank you for your presentation. I just wanted to ask a little bit about the checks and balances that IO has in place to ensure that clients repay their loans in a timely manner. Can you walk me through how you ensure that this takes place?

1400

**Ms. Toni Rossi:** Sure. Every good loan starts with the right preparation, and every good loan starts with the ability to assess the creditworthiness of that borrower. Check and balance number one is making sure that we have all of the information from them that we need to be able to assess their creditworthiness and their ability to repay that loan over a longer term.

Our credit application would be the first start. Our underwriters work with our eligible borrowers, understanding their business, understanding what the project is. We'll look at the legal entity itself, we'll look at the cost and we'll look at their ability to service that debt.

Our credit risk department does a bit more of a diligent review. We've got scorecards in place where, once we get through the credit application, there is a whole process that ensures that the loan-to-value is the right amount and ensures that the debt-service coverage ratio is appropriate and correct for the sector. That comes through in a recommendation to our credit risk review committee.

If it's below a \$2-million threshold, our CFO has the ability to approve it, if it's a municipal loan. All non-municipal loans go through our credit review committee. If it's over \$25 million, it goes right through to the board. So there's another check from delegations of authority.

I would say broadly that a third and very important check is the annual review process. On an annual basis, again from a municipality perspective, the Ministry of Municipal Affairs and Housing requires that the municipality submit their financial information report on an annual basis. We use that. We then put it back through our scorecard and checklist.

The non-municipal borrowers go through the same process. Annually, we ask for their financial statements. That is what allows us to be proactive and know whether or not there's something that has gone differently in their business.

I would say that there are varying checks and balances, and it starts with client relations all the way through to the board and then, frankly, all the way through to even third-party consultants coming in and checking. We ask them to come in and check what our processes are, benchmarking against the industry. We were very pleased when the Auditor General came in and went through—that helped us a lot, as well, to confirm areas that we were doing well in and to strengthen areas that we needed to continuously improve.

**Ms. Harinder Malhi:** Thank you.

**Ms. Toni Rossi:** You're welcome.

**Mr. Lou Rinaldi:** Chair?

**The Chair (Mr. Ernie Hardeman):** Yes.

**Mr. Lou Rinaldi:** If I may, I just want to follow up. I wasn't paying attention to my notes before. I guess this is for the deputy: Can you give us a clarification of this, because I obviously missed the point on the Ping-Pong table issue. I'm not a good Ping-Pong player.

**Mr. Giles Gherson:** I've been corrected. The Ping-Pong table is probably about 32 square feet. So I misspoke. The point really was that there is temporary space on the ground floor. It's there while awaiting tenants to move in. There are a number of commercial enterprises that are ready to move in; they've signed leases. While waiting for that, they put a Ping-Pong table in there. I am not sure how long it's going to be there for; it's a temporary thing.

**Mr. Lou Rinaldi:** Thank you.

**The Chair (Mr. Ernie Hardeman):** Mr. Dong.

**Mr. Han Dong:** How much time do I have?

**The Chair (Mr. Ernie Hardeman):** You have about seven minutes.

**Mr. Han Dong:** Okay. Since I have seven minutes—just out of curiosity, do you have a list of high-profile tenants for MaRS right now? I would like to learn a few, if that's possible.

**Mr. Giles Gherson:** Sure. I think that one of the highest-profile tenants is JLABS@Toronto. JLABS is an incubator for life sciences and medtech start-ups. It's a highly successful incubator model. The company is actually Janssen, which is the largest pharmaceutical company in the world, owned by Johnson and Johnson. They launched JLABS in San Francisco—or it might have been San Diego, I think, actually—about seven or eight years ago. They have two sites in San Francisco, and now, one in Houston and one in Boston.

It has been a highly successful—I'm just going to call it an open platform, because what happens is that companies come in, and it's not as if they now become sucked in to the JLABS system—JLABS is there essentially to see what's doing, and they may very well end up taking an interest in some of the companies that go through, but really, it's to get a handle on what's going on. They then provide those companies, for a fee, with very intensive mentoring, the introduction to networks of potential customers, VC funding. They're connected into Boston and, as I say, into New York, into Silicon Valley, those VC communities.

They'll have, for example, lectures almost every day by experts that they will bring through. It's a hugely rich environment for start-up companies that often have great science behind them but not necessarily marketing skills, financial skills and so forth, and, of course what they really need: customers.

So this is a very intensive incubation. I think a lot of people would argue that it was a bit of the missing mortar to the bricks that we've had in MaRS, because here you've got—we don't have in Canada too many global-



scale pharmaceutical companies, so the virtue of having a Janssen come into MaRS is that this is a company that is deeply, deeply steeped in turning science into marketable products. That's a skill set that is hard to read in a book or to learn at a lecture. Having a company like that there to help mentor these start-ups, we believe, will be hugely valuable to what we're building as a life sciences and medical devices ecosystem in the MaRS complex. So that's one that we were really hoping to get.

The other thing that I think is going to be very exciting is that I believe the MaRS west tower will be the first site in the world to be manufacturing stem cells. This is critical to regenerative medicine, and Toronto at the moment has been cited by many authorities as being in the so-called pole position in regenerative medicine. California is spending a fortune on regenerative medicine. Pennsylvania is spending a lot. New York is spending a lot. The UK is spending a lot. They would all, I think, agree that Toronto is the leading location now for the furtherance of regenerative medicine, and the epicentre of that will be the MaRS west tower. It will be a global centre.

Other than that, we have a company called Synaptive, which is a very successful Toronto company which makes medical diagnostic equipment designed and manufactured here in Ontario, with a world market, and a fast-growing world market. I think they now have 160 employees; they had, a year ago, about 45 employees. They're only a couple of years old. They're growing very, very rapidly in this very specialized space.

League is moving in. League is a new company founded by the former creator of the Kobo. It is a kind of personal health care software company that seems to have great promise.

Facebook medical is in there, which is another very exciting—because they're going to be in the medical information business.

**Mr. Han Dong:** I just want to stop you there, because you've given us a little bit of a taste of what types of companies you were able to attract into the MaRS building. I hope there's a mechanism that in the future we can adjust the lease rate to reflect the demand we have. I think it's going to be very successful.

**Mr. Giles Gherson:** If I can just say, it's not so much the lease rate as—this time last year, the building was deemed to be worth around \$160 million, \$180 million, because it wasn't finished and it had no tenants. Today, it's probably worth north of \$400 million—

**Mr. Han Dong:** Wow.

**Mr. Giles Gherson:** And this is a high-growth market. One of the bets that the government was making was the ability to get this building up and running and to get it filled with the kinds of exciting tenants that are coming in there. Also, these are tenants, generally speaking—because we've got some big institutional tenants there too, so they have significant creditworthiness—that we will be able to raise the value of that asset. Not just in terms of its contribution to the life sciences hub that we're building here, but also in commercial terms.

**Mr. Han Dong:** And also the jobs it creates.

My second question is about the not-for-profit. It sounds to me like IO's Loan Program is a very important tool for the not-for-profit sector when it comes to access to capital. I don't know if IO, going forward, will scale back on its capital accessibility to not for profit. Has that been the plan, or is this confidential to discuss?

1410

**Mr. Giles Gherson:** Certainly, on the policy plan—I'll let IO speak to it. Obviously, creditworthiness, as Toni said, is an extremely important feature of the IO loan program. The quality of applicant is extremely important. The government respects this completely and has great faith and confidence in IO by virtue of the fact that it has a low-risk appetite. So nobody is saying to change any of that.

**Mr. Han Dong:** Before you pass it on—because I just want to stress my—

**The Chair (Mr. Ernie Hardeman):** Your time is up, Mr. Dong. Thank you very much. That concludes that, and maybe it'll fit in with the next question. Mr. McNaughton?

**Mr. Monte McNaughton:** Great. I think I only have a couple of questions. You were talking a bit about the loan process. I wonder if you could just explain again maybe in a bit more detail just how loans are approved. You mentioned something about the CEO having authority to approve loans up to a certain amount, and then if it's \$25 million or more, the board becomes involved. Can you just explain how loans are approved?

**Ms. Toni Rossi:** Certainly. I'll start back at the beginning. It starts with an eligible borrower. It starts with that eligible borrower going through our underwriting process. So we collect all of the information—the financials and everything that I had already mentioned, but it's prudent to mention them again because it's important; the success of that borrower is important.

Once our client relations team have assessed that borrower and their underwriters have then taken all that information and put it through the credit application itself—and we've done a fairly extensive job on ensuring that those application forms and the templates that are there are solid, that they actually have the ratios that—I won't say spit out, but certainly once something gets put into that application form it does spit out, for underwriters, the ability to see whether the loan to value is the right loan to value and whether the debt service ratio is going to be able to be covered. If it doesn't, then at that step our underwriters will go back to the borrower and work with them to see how we can structure the loan in such a way.

At that stage, it'll go to our credit risk department. They do another scrub and do things like, "Do we have enough room in that sector?" or, "Are they going to be creditworthy for the long term?"—a very similar process. Then it kicks into our delegations of authority. I think that's very important because our organization, as an agency, is set up with true transparency and we are set up



with a board that is responsible for ensuring the success of these loans.

So with the delegations of authority, the way that works is, if it is a municipal loan—anything that is below \$2 million—having gone through, again, that first front end and having gone through the underwriters and the credit risk review, our CFO has that authority to be able to approve any municipal loan that is below \$2 million.

Any other loan goes through that full delegation. So it will go to a credit and risk review committee, which is comprised of a number of different individuals in our company and the OFA. Beyond that, it goes to the credit risk committee of the board. Then, beyond that, it goes to our full board for final approval. Anything over \$25 million goes through that process. Anything that is over \$2 million that's municipal or non-municipal goes through, up to the credit review committee of the board.

**Mr. Monte McNaughton:** Interesting, thanks. Regarding the Auditor General's report, where are you, as far as implementing the recommendations?

**Ms. Toni Rossi:** Again, we're back to: We're very proud but obviously never satisfied. We're very proud to be able to say that all three of her recommendations are complete and we are always in the process of implementing them in such a way that they will continue to continuously improve and operationalize them.

One of her recommendations was to monitor the municipal loans and look at that annual process. We've put that in place. Another recommendation was to put in place the third-party review that we'd had. We've done that.

I can talk a little bit about that, because it's glossed over, but certainly when we went to third-party review—it's a best practice to do that; we went back in 2012. What we got out of it, I would say, was bucketed into five or six key areas that are consistent with most lending sectors. They're things like risk governance and oversight. I just explained delegations of authority, and I think we already had that well in place, but we tightened it and went from a \$50-million loan approval at the board down to \$25 million, so that was an enhancement there.

We look at things like our risk management tools. When I talk about tools, we've created separate scorecards based on the individual borrower, their eligibility and their sector to reflect that different sectors have different risks. We've taken a look at our policies. We talk a lot about our policies now, and we've updated them. We consistently update them, but we absolutely did it through sector again, so we have very specific sector guideline policies and an overall policy that fits with our risk appetite.

We took a look at things like the standardization of procedures. This was a really good one for monitoring all the covenants. Our ability to monitor those covenants—most third-party reviewers always talk about technology, so we actually upgraded our system back in 2014. It went live on September 4, 2014. It was a memorable day. Lots of people were cheering when it went live and worked. We now have reports that are generated through our system, and we are constantly upgrading that.

I would say, finally, just the documentation itself. Over the years, as the program has expanded, different legal documents, the financial agreements, the varying covenants—we've taken a look at all the documents that are part of a loan process and ensured that they had in them the strength that we would need.

So a lot of work has gone on over the last couple of years, and I'm pleased to say that we were able to complete all three of her recommendations.

**Mr. Monte McNaughton:** I just have one final question—I apologize if I missed this at the beginning because I was a few minutes late. What is the total value of the loans that IO has out now?

**Ms. Toni Rossi:** Our current loan book is \$4.9 billion, against an approved book of \$7 billion.

**The Chair (Mr. Ernie Hardeman):** The third party: Mr. Natyshak.

**Mr. Taras Natyshak:** Back to the MaRS loan: The value of the transfer from IO—I'm referring to it as a transfer because that's kind of what it was, right?

**Mr. Giles Gherson:** It was partly a transfer, but there was a new line of credit, effectively, on top of the transfer of the IO loan to MRI, because as I said, when the transfer was done—that was \$224 million—

**Mr. Taras Natyshak:** How much again?

**Mr. Giles Gherson:** It was \$224 million. That was the value of the IO loan that was transferred to MRI.

Then, to complete this structure, we had to buy out the US contractor, ARE, for \$65 million. And then we had the fit-up costs to contend with. That was \$85 million.

**Mr. Taras Natyshak:** So \$285 million plus \$85 million.

**Mr. Giles Gherson:** Correct. No—

**Mr. Bill Mantel:** It's \$379 million.

**Mr. Giles Gherson:** It's \$379 million.

**Mr. Taras Natyshak:** So \$379 million total.

**Mr. Giles Gherson:** Yes.

**Mr. Taras Natyshak:** You've implemented a lot of really stringent procedures, monitoring policies and aspects of oversight. That was subsequent to the loan to MaRS.

**Mr. Giles Gherson:** Yes. We've just gone through the significant and stringent credit monitoring procedures of IO. We of course, as a government ministry, are not IO, but what we did was put in place a structure that's quite similar.

**Mr. Taras Natyshak:** When you say "we," you're saying—

**Mr. Giles Gherson:** The Ministry of Research and Innovation.

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**Mr. Taras Natyshak:** Okay. Keep going.

**Mr. Giles Gherson:** I think we said that in order to do this, to sort of get the advice—the government, at this time last year, was not sure what it was going to do. So the Minister of Research and Innovation and the Minister of Economic Development, Employment and Infrastructure—I'm the deputy of both ministries—secured the advice of an expert panel that was—



**Mr. Taras Natyshak:** The two people you referred to—

**Mr. Giles Gherson:** Yes.

**Mr. Taras Natyshak:** —and they gave you options in terms of what to do with MaRS.

**Mr. Giles Gherson:** Then what we did was bring in Peter Sharpe, really as an adviser—almost a supervisor—to review every tenant, every prospective lease to ensure that the prospective tenant had the right creditworthiness, all the kinds of things we've talked—

**Mr. Taras Natyshak:** On behalf of MRI.

**Mr. Giles Gherson:** On behalf of MRI. That's Peter Sharpe, former CEO of Cadillac Fairview, a pretty well-known guy.

**Mr. Taras Natyshak:** Is he still retained by MRI to continue that type of process?

**Mr. Giles Gherson:** He's still retained, yes. And let me say that we had a third-party cost monitor as well.

**Mr. Taras Natyshak:** Okay. So the changes that IO has done, in terms of their structure for lending, are there any similar changes—well, here's actually an important question: Has MRI ever extended any loan, terms of loans or loan agreements to any other organization in history?

**Mr. Giles Gherson:** Yes.

**Mr. Taras Natyshak:** Anything as big as \$379 million?

**Mr. Giles Gherson:** No.

**Mr. Taras Natyshak:** What's the largest amount they've ever extended?

**Mr. Giles Gherson:** I don't know.

**Mr. Taras Natyshak:** So I'm quite comfortable now—I mean there's a lot of reassurance built into the structure of the Ontario loan program—very nice. Are you comfortable that MRI has similar types of checks and balances and mechanisms in their structure?

**Mr. Giles Gherson:** It's a single loan. We're not involved in a large portfolio. It's a very large one—

**Mr. Taras Natyshak:** But it's pretty damned huge.

**Mr. Giles Gherson:** Sure it is, but that's why we brought in Peter Sharpe. I don't think the former CEO of Cadillac Fairview is any slouch when it comes to reviewing the financials of prospective tenants, and the third-party cost monitor was brought in as well to review the creditworthiness of prospective tenants to ensure that the lease costs are absolutely what they should be and not larger than they should be.

**Mr. Taras Natyshak:** So you're confident that those mechanisms are as stringent on the MRI side as they are now on the IO side?

**Mr. Giles Gherson:** I am. I'll be looking forward to revenues flowing, because then I'll be really sure.

**Mr. Taras Natyshak:** Sure.

**Mr. Giles Gherson:** But I think, in terms of what we have in place and the fact that we do have 70% lease-up at the moment, which I think a lot of people were pretty surprised to hear. Go back to this time last year. If we had said, "This time next year, we'll have 70% of that building leased up, and pretty close to 90%," I think people would have been pretty surprised—and these are high-quality tenants.

**Mr. Taras Natyshak:** Look, I want it to succeed. We need it to succeed in this province, in terms of research and development and innovation and marketization—

**Mr. Giles Gherson:** It's the future.

**Mr. Taras Natyshak:** It's not the future. Our species relies on it. We need to cure diseases. We in Toronto, where Banting and Best first synthesized insulin, need to further that. We need to cure type 1 diabetes. We can do that, we need to do that, and we've failed, frankly, at doing that in terms of being global pioneers. So if this building does that, then any value or any circumstances that happened in the past will be long forgotten. But it is, of course, on this government's shoulders to make sure that it gets us to that point. Again, I want to see it succeed. There are starts and stops along the way, but if you are telling us, as a committee and as members, that you're confident that it's on a solid footing at this point and that you see it able to proceed within the vision of the mandate of the ministry, then let's see. Let's get it out there—

**Mr. Giles Gherson:** I'm as confident as I can be. So I would invite you to have a tour this time next year—

**Mr. Taras Natyshak:** Are you inviting me to a Ping-Pong game?

**Mr. Giles Gherson:** Unfortunately, if we're going to have a Ping-Pong match, we should do it very quickly, because I think the space is getting filled.

**Mr. Taras Natyshak:** I hope so.

Those are all my questions, Chair. I'll cede my time. I'm done, Chair.

**The Chair (Mr. Ernie Hardeman):** You're done? That concludes our session this afternoon. We thank you very much for your participation and for being here.

**Mr. Giles Gherson:** Thank you very much.

**The Chair (Mr. Ernie Hardeman):** We are all better informed for it. Thank you very much for your time.

With that, we will continue this session. As people leave, we'll have a closed session for the Auditor General to speak.

*The committee continued in closed session at 1425.*











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Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 30 September 2015

# Journal des débats (Hansard)

Mercredi 30 septembre 2015

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Wednesday 30 September 2015

Mercredi 30 septembre 2015

*The committee met at 0901 in room 151.*

## COMMITTEE BUSINESS

**The Chair (Mr. Ernie Hardeman):** We'll call the Standing Committee on Public Accounts for September 30 to order. I think the committee all have an agenda. The first item on the agenda is a motion that was filed, to be introduced at this meeting. We'll give the mover of the motion an opportunity to present the motion.

**Mr. Steve Clark:** I move that the Standing Committee on Public Accounts request that the Auditor General conduct a value-for-money audit of the 2015 Pan and Parapan American Games.

**The Chair (Mr. Ernie Hardeman):** You've heard the motion. Debate?

**Mr. Steve Clark:** I had received a letter, Chair, from the Auditor General regarding my request, and this was the proper forum to do it, by a motion.

I look back at some of the issues surrounding delivery of the games and I particularly wanted to mention the 2009 PricewaterhouseCoopers report. I wanted to keep the motion broad to give members of the committee the opportunity to place some comments on the record, but I do think that an evaluation of the ministry's claim that the games came in both on time and on budget should be evaluated.

The audit, I believe, should include but not be limited to a timeline and value-for-money evaluation for each and every change in the overall budget projections and also a timeline and value-for-money evaluation on each venue's completion projects. Specifically, the two that I think most members would want to put on the record would be Tim Hortons Field and the Milton Velodrome.

The audit should also have sections addressing the outcomes and concerns, as I mentioned, raised in that 2009 PricewaterhouseCoopers report. It identified budgetary risks. These would be a value-for-money auditing evaluation for the main risks, total ticket sales, revenue compared to projections, total advertising revenue compared to projections, total broadcasting revenue compared to projections, and the total sponsorship revenue compared to projections.

It should also be concerned with the total cost and effectiveness of third-party contracts issued, the costs of the volunteer and student reimbursement program compared to projections, and also the effectiveness of the satellite village program.

Lastly, I think the audit should make a recommendation regarding whether or not the TO2015 executive should receive their bonuses based on the requirement of on time and on-budget games.

I'd be pleased to provide other comments for clarity if other members wanted it. That's the motion as stated.

**The Chair (Mr. Ernie Hardeman):** Thank you. Mr. Hatfield.

**Mr. Percy Hatfield:** I don't know if you need a seconder for the motion or not, but if you do, I'd be pleased to second the motion.

As I understand it, and I'm sure we all understand it, a value-for-money audit is a systemic, purposeful, organized, objective examination of government activities designed to promote answerable, honest, productive government; encourage accountability and best practices; and suggest ways in which public services could be improved. I think that's why we're here. This committee is supposed to be non-partisan in its approach. We're supposed to examine the way funds are spent. If mistakes were made, we'd like to point them out and correct them so that they don't happen again.

I think a value-for-money audit, because there are so many unanswered questions and budgets that were—I think of the security budget that went up and up and up, and at the end of the day there weren't a lot of security breaches that I'm aware of, so maybe the money was well spent. But we won't know until we have a value-for-money audit, so I'm pleased to support the motion.

**The Chair (Mr. Ernie Hardeman):** Mr. Fraser.

**Mr. John Fraser:** I will be supporting the motion. I am pleased that there seems to be some narrowing of scope because, with the original motion, it was pretty broad and I had a great deal of concern at how we would measure the things that are there and make the best use of the auditor's time. These games have been the most open and transparent games. I think there were five technical briefings through the budget. The Auditor General did do a report on the security, if I remember correctly, that was generally positive, and with some recommendations in it as well too. Also, the games were made FOI-able—freedom of information—which is unlike many other games. Again, we worked with three partners on this. I don't know what kind of challenge that will present in the audit in terms of that. Also, a bit of concern is that the committee—as Pan Am winds down, people tend to leave. So we do have to make a decision about that.



I would ask if the Auditor General has any comments on this as we look at this in terms of the value of the audit, as you look at your resources in a broader scope. As I say, we need to do this, but I'd like to understand that from your perspective.

**The Chair (Mr. Ernie Hardeman):** The auditor.

**Ms. Bonnie Lysyk:** If a motion is passed in the public accounts committee, we'll do the work. In terms of the motion, the motion is a broad motion. I think we would sit back and likely narrow down what we can do under that motion, depending on the availability of records, depending on the tri-part arrangement; there are a number of things.

My sense is, the key part of this is to determine whether or not the monies that have been spent were spent in accordance with the budget. That would obviously be the first thing we would look at. From hearing the discussion, the second thing we would look at is the contracting: some of the contracts that were just highlighted.

So we wouldn't be sitting back and saying, "In terms of this much money, did the games provide value?" It's not just substantial money value; there's a whole economic impact to the province that I don't know if we would be looking at—I'm pretty sure we wouldn't be looking at the economic impact.

Similar to the motion on CCACs, the motion on CCACs started off broad and then it was narrowed down in discussion in this committee as to specifically what the committee wanted us to look at. I've taken a few notes on what was mentioned here, but if the motion could be, "Conduct a value-for-money audit of the games specifically covering the following: X, X, X," that would be helpful. Otherwise, we would probably be narrowing it down based on the reading of a transcript and our ability to do what we could do.

**Mr. John Fraser:** Yes. That's very helpful, I think, from our perspective to look at that because, again, the motion is very broad. When you talk about value for money, there's a value in there, and as you said, you wouldn't be looking at economic impacts because they would be hard to measure. It would be hard to measure legacy impacts for amateur sport or for affordable housing. It would be a bit of a mug's game to try and do that. Any advice that you have for what you feel is the best way for us to go would be very helpful to this committee. That's all I have to say.

0910

**Ms. Bonnie Lysyk:** Yes.

**The Chair (Mr. Ernie Hardeman):** Any comments from the mover of the motion?

**Mr. Steve Clark:** The only thing that I thought of during the discussion, because of the media reports and other concerns, was the transportation plan. I think there were a lot of people looking at the transportation plan and really questioning its effectiveness. So I think moving for future events of this type, it should be included in the review in terms of total cost effectiveness.

**The Chair (Mr. Ernie Hardeman):** Any further debate?

**Mr. Arthur Potts:** I'd also like to hear from the auditor about the timeliness, whether we need to make a decision about this and the scope of it today or we can come back, maybe at the meeting next week, with a scoped look of what it would like and make a decision about that and have more input. I'd love to see the details—I tried to make some notes of the things that Mr. Clark was going to put in the report.

I would also add that as part of the technical briefings that have been promised under these very transparent games, there will be a further technical briefing in the fall which we're anticipating that will have a lot of information in terms of the numbers. So delaying the decision until then might be of use to us, so we'll see what's in the technical briefing that's already scheduled.

I would further add that there's an expectation that there will be a third-party audit already contemplated by the board of the games which will be taking place early next year, once the games are substantially wound up.

I want to maybe have some input from you, auditor, about the timeliness and whether we need to make a decision right now about this or we can delay it at least until next week so we can have a better look at how we scope this thing to make it most effective.

We welcome it. We look forward to it—because we think it's been exactly that. We haven't talked about what an incredibly successful games it was in terms of medal counts. There's an intangible that's really, really hard to evaluate, but it certainly has had that. The impact it had on the Ontario spirit has been fantastic.

**The Chair (Mr. Ernie Hardeman):** I would just point out we're kind of going further afield here. It's not the auditor's responsibility to decide on the timing of the audit beyond—if the committee decides that you want the auditor to do the audit, the auditor then will decide the best timing and the appropriate way to do it. But the discussion on this motion is whether the committee wants to ask the auditor to do the audit.

I would point out, and my suggestion would be, that if the mover of the motion would look at further improving on the motion, do what the Auditor General pointed out, to put it together so the committee would know what it is they were asking the auditor to do. But the timing of it and so forth would have to be left to the auditor after she had the authority to do it.

With that, I would turn it over to the mover of the motion, if there's some suggestion of—

*Interjections.*

**Mr. Steve Clark:** Are you asking me to amend the motion? I've read into the record some points. I'm quite prepared to give it to the auditor. I'm just asking for clarity. What would you like, Chair? Do you want an amendment?

**The Chair (Mr. Ernie Hardeman):** Yes.

**Mr. John Fraser:** A technical question: When you go back, you'll look at the motion and you'll say, "Here are the things that I can do." Will that be something where



there will be a discussion at committee? Would you come back and say that to us at our next meeting? We're prepared to accept the motion. It's just that we don't want to put you in a position where it's too broad a mandate to deliver.

**Ms. Bonnie Lysyk:** There are a couple of things. It is a broad motion. If it was decided that the meaning of that motion was the items that you read, then we would conduct that value-for-money within the limitation of what was read at the committee. Then obviously, during the course of that, we could expand it if there was something that was troublesome, right? So that's one way to handle it, where you pass the motion, we guide ourselves in the conduct of this audit by the specifics that were identified—and we did that similarly on the CCAC motion—or you could take the motion, take a break, identify the points and pass a revised motion, but it's up to this committee's decision.

**Mr. Steve Clark:** I think probably the easiest way, Chair, because I know you've got report writing—and I'd like you to get to the report writing. If people agree with my motion, I'll table this information with the Auditor General that I read into the record. She can communicate back to the committee when she thinks the time frame will happen for the review, and then you can move forward.

**Mr. John Fraser:** Can you read that back?

**Mr. Steve Clark:** Yes, I'll just read it.

"The audit should include an evaluation of the ministry's claim that the games came in both on time and on budget. The audit will also include—but not be limited to—a timeline and value-for-money evaluation of each and every change in the overall budget projections, and a timeline and value-for-money evaluation of each venue's completion projections—specifically for Tim Hortons Field and the Milton Velodrome.

"The audit should also have sections addressing the outcomes of concerns raised in the 2009 PricewaterhouseCoopers report identifying budgetary risks. These would include a value-for-money audit evaluating the main risks put forward including: total ticket sales revenue compared to projections, total advertising revenue compared to projections, total broadcasting revenue compared to projections, and total sponsorship compared to projections. The value-for-money audit should also consider: the total cost and effectiveness of third-party contracts issued, the total costs of the volunteer and student reimbursement program compared to projections, the total cost and effectiveness of the satellite village program, and the total cost and effectiveness of the province's transportation plan.

"Lastly, the audit should make a recommendation on whether or not TO2015 executives should receive their bonuses based on the requirement of 'an on-time and on-budget games.'"

**The Chair (Mr. Ernie Hardeman):** Ms. MacLeod?

**Ms. Lisa MacLeod:** I ask that the question now be put.

**The Chair (Mr. Ernie Hardeman):** What's that?

**Ms. Lisa MacLeod:** I asked if the question could now be put.

**The Chair (Mr. Ernie Hardeman):** Putting the question is a—the decision has to be made if enough debate has taken place. With the introduction of that amendment, it's going to be difficult to say—as it's just being introduced—that enough debate has taken place.

**Ms. Lisa MacLeod:** We didn't amend it.

*Interjections.*

**Mr. John Fraser:** —what he was going to table and that's fine. We're prepared to support the motion. I just wanted to have that discussion.

**The Chair (Mr. Ernie Hardeman):** Okay. We have a motion here to put the question. With that, we will put the question.

*Interjection.*

**The Chair (Mr. Ernie Hardeman):** My instructions are that we do have to allow further debate. Yes, Ms. MacLeod?

**Ms. Lisa MacLeod:** I think it's very clear that there are members from all three political parties and all three caucuses who support this motion. That support was indicated very clearly from the third party, as well as the government, for an audit into the Pan Am Games.

In addition to that, I think when the member opposite mentions that we should talk about medal counts and technical briefings, I think that has nothing to do with the value-for-money audit that we're requesting in the official opposition to ensure that money was spent appropriately and that we got the best value for it. I think there's a sense of arrogance, if you will, suggesting that any politician and any government is responsible for the medal count of our athletes. I think a technical briefing, although good for members of this assembly, doesn't necessarily provide the public accountability mechanism that we're trying to seek as a result of this motion by Mr. Clark.

I would again suggest: We have a motion before us. It is very clear and it is very short: that the Standing Committee on Public Accounts requests that the Auditor General conduct a value-for-money audit of the 2015 Pan Am and Parapan American Games. Mr. Clark, in putting forward that motion, also explained the rationale and the scope, and he provided that information to the Auditor General. We should actually just move on. This shouldn't be controversial; this should be about the best value for the taxpaying dollar in order to bring forward a greater degree of accountability.

The member from the Liberal caucus, their Liberal lead, said they would support this motion, the New Democrats said they would support this motion, and I again ask that the motion be put for a vote.

0920

**The Chair (Mr. Ernie Hardeman):** That is out of order. Further debate?

**Mr. Percy Hatfield:** What has a guy got to do to get his hand recognized? I was up before her, for God's sake.

**The Chair (Mr. Ernie Hardeman):** Oh. Mr. Hatfield.



**Mr. Percy Hatfield:** Thank you, Chair. I agree with what we had discussed earlier about supporting the motion. My question on the performance bonus issue is, should a separate letter go out from this committee to whoever writes those cheques to say, "We're looking at this, and we would suggest that you not write these cheques until after this value-for-money audit is in," in order to ascertain that indeed everything was on time and on budget and the bonuses are warranted? That's a question: Do we need a separate letter to go out to whoever writes those cheques, saying, "Please hold off while we do this"?

**The Chair (Mr. Ernie Hardeman):** The committee heard your comments, and the committee will make a decision on whether that needs to be done after we've dealt with this motion.

**Mr. Percy Hatfield:** I didn't want to interfere with the motion.

**The Chair (Mr. Ernie Hardeman):** Mr. Baker.

**Mr. Yvan Baker:** If I may, I want to second the thoughts of my colleagues, first of all, on the support for the value-for-money audit that the member has proposed. I don't think there is controversy on this; I think we're supportive of it. I think that really what my colleagues were doing, if I dare to speak for them, was consulting with the Auditor General to make sure that the audit itself is a success, that the value-for-money audit is a success. That's really what we're doing, but I don't think there's any controversy around the motion itself.

The other point that was made, around medals and the success of the games, is speaking to part of the value of the games, so I think that when we talk about value for money, it's worthwhile to mention that. I think it's on point.

The last point I'll make is that I think some of the things that my colleagues have raised with regard to some of the mechanisms for transparency are relevant to this discussion only because they help not only the auditor but others in the public realm, including members of this committee and the Legislature, assess the value for money that was obtained for the games.

Things like ensuring that the games were subject to freedom of information; that the financial results of TO2015 were part of the government's financial statements; that provincial costs related to the games were in the Ontario budget with additional details; that TO2015 was included in the public sector salary disclosure list; that there were regular financial updates released into 2012-13; that there were audited financial statements made available; that key games documents such as the bid book and all major agreements were posted; that executive expenses were posted every quarter—I think all of these types of initiatives are relevant to the discussion, because I think what they will do is they will undoubtedly help the auditor and her team, but more generally help the public, in terms of assessing value for money.

I just wanted to address those points as to why we were raising them, but I don't think there's any contro-

very around the motion. I think we're supportive of the motion.

**The Chair (Mr. Ernie Hardeman):** Mr. Fraser.

**Mr. John Fraser:** Just very quickly, there's support all the way around the table for this motion. The reason we were having a discussion was to make sure we got the auditor's opinion on what she could do and ask for Mr. Clark's recitation of what he wanted to put in the scope, simply because we will likely want to add additional things. So it's good to know what it is you want to do; we'll make some recommendations as well, once we have a discussion. But I think we should just put the question, because—

*Interjections.*

**Mr. John Fraser:** —unless somebody has—

**The Chair (Mr. Ernie Hardeman):** That's no more in order than the previous one. Any further debate?

**Mr. Arthur Potts:** I agree that we should put the question, on the understanding that we will have an opportunity to add scope items. I have not heard anyone on the other side say—if we're limited in scope to just what you've put into it, with respect, we should have an opportunity to have a chance to review your scope items and add any more, if we so desire, to give you the breadth that we think is necessary to get a full analysis of this.

**The Chair (Mr. Ernie Hardeman):** Further debate? Mr. Hatfield.

**Mr. Percy Hatfield:** Without speaking to the motion, I call the question.

**The Chair (Mr. Ernie Hardeman):** The auditor would like to say a few words. You can't call the question.

**Ms. Bonnie Lysyk:** I want this to be a doable thing and I am concerned about the last comment around the expanded scope.

There's one part of this as well: Our audit would not make the decision as to whether or not executives receive their bonuses based on a requirement. Our report would just give you the facts. Based on the facts, it would be up to the powers that be to decide whether or not these bonuses are paid or whether they're paid before the audit or whatever. We're not the ones who would make a decision to pay the bonuses. We'll give you the information from doing the audit. The more I hear this motion discussed, the more I recognize that what we're looking at is a budget-to-actual review to make sure that the games came in on budget and that all the finances have been properly recorded in the accounts for the Pan Am Games. I think that is an appropriate item that we can look at.

The second area that we can look at, I do believe, is the contracts and whether or not—for material contracts—and we would make the decision in terms of how we define materiality; otherwise we'll be buried in paper for a long time. We would look at contracts, significant ones, to determine whether or not the tendering process was fair and the ultimate decision in the contract area was fine.



We could work with the motion, we could work with the limited scope, but if there is a thought that there is a different scope than what we've had read right now into the transcript, then I'd say we need to hold and you need to draft the motion so that I can get clear direction in terms of what's expected. Right now, the expectation I can see is to deal with specific items and it's doable. The difficulty—again, we will look at whether or not the records are available, the people are reachable, and the tripartite arrangement in terms of following the dollar, which I haven't explored and I need to explore a little bit more.

If the motion is passed, we will conduct an audit, but it will have to be within a narrow scope because this is a huge exercise. Right now, what's been read into the record for us to look at, including Mr. Baker's comments, would be fine, but if it goes beyond that, I do think we need some additional parameters.

**The Chair (Mr. Ernie Hardeman):** Further debate? If there's no further debate—Mr. Dong?

**Mr. Han Dong:** Just out of curiosity, a question to the auditor: Were you going to include this in your annual general audit report anyway?

**Ms. Bonnie Lysyk:** Typically the practice is, when there's a special referral from the public accounts committee, it becomes a special report that gets tabled by itself.

**Mr. Han Dong:** My question is, if this motion was never put forward, were you going to include the Pan Am Games in your annual report?

**Ms. Bonnie Lysyk:** For the upcoming year, we hadn't identified it as an audit that we would do. This would be in addition to what we'll do in the annual report.

**Mr. Han Dong:** Okay. I just want to put one more suggestion: The economic impact may be hard to identify, given the short period of time—

**Ms. Bonnie Lysyk:** Yes. I think the term that's used here is conducting a value-for-money audit. The more I hear the discussion around the content, I would say conduct an audit of the Pan Am and Parapan Am Games with the scope identified as discussed in the transcript or

something like that. So I don't know if it's totally a value-for-money audit. It will be a huge exercise.

**The Chair (Mr. Ernie Hardeman):** Mr. Hatfield?

**Mr. Percy Hatfield:** A question to the auditor: Bonnie, do you see, as part of what you're looking at now, the ability—there was a budget for the games, and then this ministry would fund out of their budget something, be it on security, be it on transportation. Are you going to follow all of that money that came in from other designated sources along the way?

**Ms. Bonnie Lysyk:** That's what my understanding of this would be, that we would look at—there are a couple of components. There's a budget component within the province of Ontario's budget and then there are separate monies within TO2015, and so we would look at the TO2015 budget-to-actual and, likely, province budget-to-actual for completeness.

**The Chair (Mr. Ernie Hardeman):** Any further debate? If there's no further debate, we're voting on the motion as it was presented.

**Mr. Steve Clark:** Recorded vote.

**The Chair (Mr. Ernie Hardeman):** There have been no amendments made to the motion. We accept the auditor's comments outlining how she would proceed with dealing with the motion that's before you. So the motion has been put, and we request a recorded vote.

#### Ayes

Baker, Clark, Dong, Fraser, Hatfield, MacLeod, Malhi, Potts.

**The Chair (Mr. Ernie Hardeman):** The motion is carried.

Thank you all very much for your participation. With that, we will recess just for a few minutes to give opportunities for—if there's a change in membership that is required for the report writing, for the next item that's on our agenda.

*The committee recessed at 0930 and continued in closed session at 0941.*



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#### **Chair / Président**

Mr. Ernie Hardeman (Oxford PC)

#### **Vice-Chair / Vice-Présidente**

Ms. Lisa MacLeod (Nepean–Carleton PC)

Mr. Han Dong (Trinity–Spadina L)

Mr. John Fraser (Ottawa South L)

Mr. Ernie Hardeman (Oxford PC)

Mr. Percy Hatfield (Windsor–Tecumseh ND)

Ms. Lisa MacLeod (Nepean–Carleton PC)

Ms. Harinder Malhi (Brampton–Springdale L)

Mrs. Julia Munro (York–Simcoe PC)

Mr. Arthur Potts (Beaches–East York L)

Mr. Lou Rinaldi (Northumberland–Quinte West L)

#### **Substitutions / Membres remplaçants**

Mr. Yvan Baker (Etobicoke Centre / Etobicoke-Centre L)

Mr. Steve Clark (Leeds–Grenville PC)

Mr. Peter Tabuns (Toronto–Danforth ND)

#### **Also taking part / Autres participants et participantes**

Ms. Bonnie Lysyk, Auditor General

#### **Clerk / Greffière**

Ms. Valerie Quioc Lim

#### **Staff / Personnel**

Mr. Ian Morris, research officer,  
Research Services





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